Electra

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Why Trades Fail, the Consequences of Failed Trades, and the Key Role of Reconciliation

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Summary

Failed trades occur when the seller or the buyer does not meet their trading obligations on or before settlement date. Whenever this happens, the party who failed to deliver cash or securities on their side of the trade could face financial losses, fines and damage to their reputation on the street. Failing to meet their trading obligations may result in rating agencies downgrading their credit score, limiting their ability to shop around for the best counterparty relationships, and paying higher penalties under new T+2 settlement regimes.

While automation can play an important role, many investment operations managers are still dealing with errors and delays that lead to higher operational costs and risks. What is the solution?