

CRM provides transparency and compliance solutions

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As the hedge fund sector moves away from its cottage industry roots and closer to the levels of institutionalisation seen in other financial services activities, relationships are increasingly being managed in a more formal way.

Whereas there was once a single high-net-worth client with a lawyer in tow, there is now typically a series of institutions, often channelled to the fund via a complex network of intermediaries, a suite of advisors, and a wealth of documentation to deal with too.

“There are simply so many more steps to closing business these days,” says Simon Koziel, president of ProTrak International. There are also so many more ways to access new business with the proliferation of advisers, agents, regulators, trustees, directors and so on. It is not so much a question of their job titles, but what influence they wield and which networks they inhabit. To keep abreast of all that requires more than shrewd judgement and a long memory.

Of course, in the case of a small fund with perhaps \$100m in assets and/or 20-30 investors, these relationships can probably be managed without recourse to a sophisticated customer relationship management system. But as soon as the client numbers and assets under management start to rise, the relationships need to be tracked more professionally if they are to bear fruit. As Koziel says: “You have to capture the essence of these relationships now -you can’t go back and do it later.”

In an operating environment in which record-keeping has become paramount, CRM has gone beyond its original remit of generating sales and can ensure that a fund meets many of its compliance targets. Documenting and tracking investor correspondence is now essential and funds need to be able to demonstrate what documents they have received and sent. “One of our clients called recently to say they were audited by the SEC and they needed to show all the correspondence with selected investors over the last year,” Koziel says. The investigators asked to see all the activities including the subscription documents for the investors. “They were able to provide all of that information from the CRM and the firm passed the audit with flying colours,” Koziel adds.

Official compliance is only the tip of the iceberg of course: it is effectively a subset of client service and transparency. In this sense, funds increasingly need all information about lock-ups, gates and sidepockets at hand to be able to respond to the current market conditions. Or a fund might need a quick report or valuation for internal or external purposes. Administrators typically provide month-end data on holdings and transactions. Funds will therefore need to be able to generate reports themselves – perhaps detailing subscriptions and redemptions over a certain period, or calculating the NAV at a certain point in the past, or showing how many of the fund’s investors are based in the US or perhaps how many have \$1m or more invested in the fund. Koziel says: “It should be like a big bowl where you can just reach in and grab what you need when you need it.

“My philosophy is that there are 20-30 critical pieces of information that funds and investors typically require. If you can make them immediately available, that will satisfy 80-90 per cent of all requests.”

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