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Focus on customisation to support HF operational workflows

By James Williams

Technologists are responding rapidly to the operational demands of hedge fund managers as COOs and CCOs search for greater simplicity in an increasingly complex business environment. Compliance and regulatory demands are manifold. As such, managers need the confidence, and, importantly, the customisation of software solutions to help them integrate their operational workflows.

“One of our key value propositions is that all of our solutions are customisable based on the needs of the manager. In that sense, we become partners and an extension of their operations team,” says Mark Daniel, Principal at Imagineer Technology Group.

There are two clear trends that are pushing managers and software providers closer together: one is the ongoing institutionalisation of the hedge fund industry with investors demanding more information and transparency; second is increased global regulatory scrutiny.

“For both of those reasons, and the security and compliance concerns that are associated with them, I think it is genuinely exciting to be a technology provider today. Managers realise that they need solutions and we can provide the workflow solutions to meet those needs over the entire lifecycle of a manager,” continues Daniel.

Imagineer is supporting managers to meet compliance and transparency demands with Clienteer, a comprehensive CRM solution, and WebVision, a web reporting portal.

Clienteer allows managers to ensure that they are collecting all the relevant information required to be compliant; whether it’s storing documents in a central location, having an audit trail of investor communications,
managing compliant document distribution, or tracking attributes of their accounts and reporting accordingly on them such as new issue restrictions.

“All fund, investor and account attributes can be maintained and managed in a central location and appropriate reports can be easily generated when needed. If it’s the Offering Memorandum, for example, Clienteer allows the Manager to track every person it was sent to,” explains Erol Dusi, Founder and President of Imagineer. “Our goal is to give managers control so that they are never dependent on anybody to run their business; whether it’s content management, permissioning, or report generation. That said, we are always there to support them because we know their business. We can help them much more directly than any generic system.”

Backstop Solutions, a market leader in providing a Software-as-a-service platform to the alternative funds industry, is leveraging the full capabilities of the cloud environment, providing software solutions that span investor relations, CRM, sales & marketing and investor reporting.

“We are focused on helping clients work smarter and make the most of their time as well as to reduce operational risk,” says Chris DeNigris, Global Marketing Manager at Backstop. “As we are sharing resources across the cloud, any fund can access our platform that allows them to do so much more than just document management, calls meetings and notes’ tracking, etc: it’s allowing them to create custom templates for regulatory requirements and build out custom workflows.”

Having all their investor meetings’ notes, documents and emails in one centralised location with full audit tracking is certainly beneficial to managers.

“If a manager has a presence exam the first thing the SEC will ask to see is the initial correspondence from an investor all the way through to subscription. If you can easily populate an activity report and send it off it shows the regulator that you’ve got a stringent operational process in place. That’s not to guarantee that a manager would never have a presence exam but if they can turn things around quickly it certainly takes away a lot of the headaches,” suggests DeNigris.

What seems to be increasingly clear among financial technology groups is that they are working hard to make managers’ lives as easy as possible. If hedge funds, regardless of their shape or size, can establish robust operational and compliance workflows in a way that limits the number of platforms and systems being used, the better equipped they will be to pilot their way through a myriad of market challenges.

Last month, Cordium, a leading compliance consultancy firm, introduced a new solution called Pilot; a comprehensive tool for managers to control and monitor their compliance workflows front to back. Pilot is a revamped version of its existing flagship product, ComplianceTrak, and as such uses the latest technology.

“Pilot uses a SQL server back-end, as well as C# and MVC. On the front-end we are using HTML5 and Angular, which is a front-end language developed by Google. What Angular can do is a lot of nice, neat things on the user experience to make the application more responsive.

“We also spent quite a bit of time on the back-end architecture of Pilot to make sure that it was scalable,” explains Jordan Schwartz, Director of Global Software Solutions at Cordium.

Another firm that is helping hedge funders to manage the entire workflow on one platform is Eze Software Group. One group, in particular, that need a robust system in place from day one to navigate the complexity of regulatory and market risks is start-up managers.

“Being able to have a system in place like Eze Software Group’s Investment Suite helps managers to check the box, from an investor’s perspective, and grow their

“I think it is genuinely exciting to be a technology provider today. Managers realise that they need solutions and we can provide the workflow solutions to meet those needs over the entire lifecycle of a manager.”

Mark Daniel, Imagineer Technology
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How technology is helping to shape IR functions

Interview with Chris DeNigris

With institutional dollars now dominating the hedge fund industry, managers are facing far more stringent operational due diligence assessments. Pension funds and endowments are hiring dedicated ODD teams simply to go in and find reasons not to invest in managers. The bar, when it comes to raising capital, has never been higher.

Backstop Solutions Group has been a pioneer in providing a Software-as-a-service platform to the alternative funds industry since 2003, so as to help managers operate more efficiently. As such, it is able to sit in the middle and take a unique view on the way investor relations teams are coping with the onslaught of ODD requests, as well as maintain how information is shared with investors.

“In addition, we help investors create ODD processes and workflows within the same platform: they can track how many managers they’ve spoken with, how far along in the ODD process they are, how managers are being rated, etc,” explains Chris DeNigris, Global Marketing Manager at Backstop.

By offering software solutions that span investor relations, CRM, sales & marketing and investor reporting, Backstop is empowering hedge fund managers to develop more efficient workflows that stand up to scrutiny when investors conduct operational due diligence. According to DeNigris, IR teams are taking a more proactive stance, and they are using Backstop to more effectively manage the documentation process.

This extends beyond merely documentation and having efficient CRM workflows in place. It’s about presenting the fund as one that is investor friendly. This can be a critical factor, especially for start-ups and emerging managers.

“Investors are now asking for more information and additional transparency, and it’s imperative for us to not only provide them with timely and accurate information, but to also start anticipating what they might need or ask for,” says Megan Cruse, Director, Altum Capital Management, LLC, a New York-based hedge fund that focuses on opportunistic distressed structured credit. “Seven to ten years ago most funds didn’t even have websites. But today, our marketing and IR team uses Backstop’s web portals and other technology tools so we can be more proactive than reactive, and provide our investors with the most up-to-date information and reports.”

That all relates back to one of the main objectives Backstop has for its clients: to help them work more efficiently and increase productivity. In fact, “Work Smarter” is the theme of Backstop’s customer conference in Chicago on 10th and 11th June. As firms, across the entire financial sector, look to make better use of their time, the cloud is really changing the game.

“We have extensive functionality built into the cloud to streamline workflows and drive business efficiencies. For hedge funds specifically, it’s more about how to improve their capital raising capabilities. We did a survey of our hedge fund clients, and on average they’ve seen a 52 per cent increase in AUM since implementing our system,” confirms DeNigris.

The inference to draw here is that managers are taking a systematic process to raising capital and recognise the need to have the right systems in place.

“We continue to make enhancements to the system to help our clients work more efficiently. For example, we’ve enhanced our activity search function so that people can find what they are looking for – investor emails, documents, etc – much faster in the system; it’s akin to having Google search in the platform,” concludes DeNigris.
business. This might have been something five or 10 years ago that a manager would wait for until their fund had reached a certain AUM threshold; now it's an expectation from the get-go that a fund has this front to back infrastructure in place.

“As a result, we have created Eze JumpStart for smaller funds and start-ups. We’ve taken our services and products and bundled them together into a turnkey solution including: portfolio analysis, advanced electronic trading, order management, compliance, reconciliation and operations. This is helping start-up managers to reduce their operational risk and infrastructure costs,” explains Jeffrey Shoreman, President.

Eze JumpStart launched in the US at the end of Q1 2015. It offers the exact same software as that used in Investment Suite, the only difference being that “we’ve toggled off a lot of functions and simplified the package to what we believe funds need to get going. As they grow, we can then toggle on additional functionality to help them grow and scale their operation,” adds Shoreman.

To illustrate the scale of the operational challenge facing managers, over the last three years Bloomberg has released more than 1,000 new tools and product enhancements to Bloomberg AIM, the award-winning OMS and integrated front-office platform; many of which have been designed to facilitate its clients’ regulatory compliance efforts, according to Dan Matthies, Global Business Head of Bloomberg AIM.

“We were first to market with a regulatory reporting solution for derivatives trading both in the US for SEF compliance and in Europe for EMIR.”

Dan Matthies, Bloomberg AIM

“We were first to market with a regulatory reporting solution for derivatives trading both in the US for SEF compliance and in Europe for EMIR.”

Dan Matthies, Bloomberg AIM

to centrally manage trades across assets and trading platforms, as well as an advanced reconciliation tool. Providing these comprehensive compliance and operations tools enables our customers to better support their front-office,” notes Matthies.

For hedge funds that trade derivatives, having to report on their positions, valuations and collateral is the latest example of where regulation is forcing managers not only to have to manage significant volumes of data, but to do so accurately and on time.

This is new territory for many. Whilst the purpose of EMIR reporting is to avoid potential systemic risk, one has to question the necessity of a hedge fund to report on every moving part in their fund. It is becoming a tiresome exercise, yet it is a fertile climate for technologists.

“Without turn-key integration, clients have to enter deal and allocation details manually into a SEF and multiple systems, which in turn allows them to be susceptible to errors and inefficiencies. The only alternative is to invest in internal or vendor IT projects to build out order, compliance and allocation interfaces to support pre-clearing certainty, which makes these types of interfaces more complex than what the market commonly deals with.

“AIM’s proven integration solution leverages Bloomberg’s deep relationships and market-leading expertise to mitigate that complexity and resource drain, enabling our clients to focus on their core business and proficiencies,” states Matthies.

As managers seek to partner with technology vendors to build closer alliances in order to successfully grow their business it needs to be done so whilst upholding responsibility to their investors; in other words, using outsourced models should never equate to outsourcing operational risk. Whilst a manager might be giving up the
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“The major changes we see are in demands for access to data and demands for accuracy. Our clients want to see data more in real-time, anytime, anywhere. There is a lot more information that has to be managed and accuracy is required,” observes Bob Forsythe, IT Manager at UMB Fund Services.

Understandably, administrators are looking to smartly deploy technology to meet these data flow demands so as to provide access, minimise data entry mistakes, make sure processes are efficient and ensure that all of a manager’s regulatory and compliance requirements are identified and addressed.

To stay ahead of the curve, UMB Fund Services is focused on three areas of technology development. The first, scheduled to roll out this summer, is a fully enabled mobile application.

“The web portal our clients currently access from their desktops will be made accessible on tablets and smartphones. The system will automatically recognise the type of device being used and adjust appropriately and not lose any functionality,” explains Chad Allen, Managing Director of Alternative Investments at UMB Fund Services.

“The application will run on both Android and Apple iOS operating systems. The functionality will include access to full fund information as it pertains to investors, financial statements and historical reports, including tax returns. The asset manager will also be able to generate reports on demand.”

Furthermore, investors will have access to their statements, historical Schedule K1 tax reports and audit information on the mobile application.

This is reflective of how technology has changed the way the industry views and interacts with fund data. “It’s not an area we can afford to ignore. It could become a litmus test for managers to determine whether to engage with a particular fund administrator,” suggests Allen.

The second area of focus is a portal for hedge funds to access, query and data mine their portfolio information.

This information is derived from Advent’s Geneva® hedge fund portfolio software. The plan is to integrate data from Geneva to UMB’s existing web portal. “This means hedge fund managers will have full access to their portfolio data. They will be able to see all portfolio positions, purchases and sales, dividends and interest, etc,” confirms Allen.

The third area of focus is electronic subscription documents.

Currently, the subscription document process is manually intensive. Either the fund manager or the administrator sends subscription documents to the prospective investor who prints them, signs them and sends them back for the administrator to input the data. It is a very slow, unwieldy process.

“We are currently building a solution that allows the prospective investor to complete the subscription document and sign it electronically. The solution is not only electronic but also smart. For example it will prevent a user from entering numerical items into alpha fields and vice-versa and from signing the form until all necessary fields have been completed.

“From our standpoint, electronic signatures offer greater data accuracy and timeliness: we will be able to import data directly into FastPro, our proprietary fund administration system without manual intervention. That is a huge benefit to managers and their investors. It will make the subscription process faster to have a complete document the first time. It will also make the data more accurate and more reliable,” explains Allen.

“We plan to roll this out in early 2016 along with the Geneva portfolio solution,” confirms Allen.
labour and the technology, they still have ultimate responsibility for what goes on in their fund; from a compliance perspective, a legal and regulatory perspective, according to Bennett Egeth, President of Broadridge Investment Management Solutions.

“As a manager, you still need to maintain control to verify the work your administrator and other service providers are doing – you have governance responsibility for everything that you outsource. What we’ve seen with institutional and other large investors is that there is no consensus yet in terms of how heavy the footprint needs to be within a fund to supervise their service providers.

“By providing a lighter technology footprint, our solution allows an automated way for the fund to track the daily NAV, reconcile trades to their prime broker(s) and administrator, etc. It’s a technology-heavy versus an operations-heavy process that meets the institutional-grade requirements for the supervision of their service providers using a fraction of the staff they needed to use previously,” comments Egeth.

This system-driven integration is helping managers to reduce time and cost maintaining multiple legacy systems and potentially still getting bogged down in manual processes that leave the fund susceptible to human error, compliance oversight, and, in a worst case scenario, serious reputational risk.

“As an example, one client of ours is a credit fund with more than USD3 billion in AUM and a complex asset class mix across its fund products. They are able, with the equivalent of half a person on their operations team, to manage the technology infrastructure that we provide for them and supervise the reconciliations to their 12 prime brokers and administrator,” confirms Egeth.

This is using technology to leverage and scale the management and control of a manager’s service providers.

Over at Confluence, a data management and software company whose heritage lies in US mutual funds, the discussion centres on ‘disruptive technology’; that is, thinking about how technology can fundamentally change operational functions, as opposed to building technology for existing operations.

“We are talking about changing the ways problems are analysed and planned for before they even become problems. Having a solution that is built around the premise that there’s going to be more and more regulation down the line, as well as solving for today’s current challenges,” says Thomas Pfister, Manager of EMEA Market Management for Confluence.

“We are building a data-agnostic regulatory transparency reporting platform. It will leverage comprehensive data and business logic. The solution is targeted towards solving the data management challenges that regulation has created in recent times by bringing consistency to managers’ reporting obligations through re-use of raw and scrubbed data, re-use of business logic and filing logistics to reduce the risk of making inaccurate filings. And ultimately to help managers reduce the amount of time spent on these challenges.”

The opportunity is there for managers to use technology to change how they operate.
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There has been an acceptance across many top-tier hedge funds that some of the operations they perform, whilst important, are not clear differentiators but rather diversions to their core task.

“Ultimately, the ability for a hedge fund to grow and reproduce is a function of its ability to raise capital and generate alpha,” says Bennett Egeth, President of Broadridge Investment Management Solutions. “Anything that doesn’t fall into those two buckets is non-differentiating, and thus not a good way for the manager to spend time and resources.

“There is an increasingly widespread acknowledgement that the skill needed to run the technology and operational infrastructure of a fund is no longer viewed as a differentiator. Funds are looking at ways to save money and optimise infrastructure by focusing on what they do best.”

Take third-party administrators as an example. Over the years, managers have opted to appoint these firms to run their back-office operations, reducing the need to maintain an in-house investment book of records (IBOR).

Performance reporting, shareholder accounting, risk data, regulatory reporting all need to come off the IBOR. As such, the services that managers require go beyond the purview of what their administrator is providing. Managers are turning to third-party technology vendors to effectively become an extension of their operations function as part of a managed services arrangement.

Egeth says: “Most technology providers will host the software to avoid setting up equipment and data centres and the interfaces to their prime brokers and administrators are managed on the hedge fund’s behalf. From an investor perspective, this significantly decreases the operational risk. If an investor is doing operational due diligence on a fund, what might they prefer to see: Seven or eight internal systems that the manager has built? Four or five purchased systems? Or the option to go in and evaluate a single solution hosted by one technology provider?”

This shift towards using managed services is helping managers achieve institutional-quality infrastructure at a fraction of the cost. A hedge fund’s IT team doesn’t have to worry about constantly updating source code. Rather, because the software is industry-standard and used consistently across multiple funds and strategies, any software fixes that are applied for one fund, are automatically applied to all other funds.

“The point is, solutions sets today are much broader and include portfolio management, reference data management, pricing, risk and data warehousing. When an investor walks in to conduct due diligence and sees integrated, institutional-quality solutions, it decreases the overall risk,” adds Egeth.

As an example, Egeth cites a USD3.5 billion credit fund with a complex asset class mix across its fund products. They are able, with the equivalent of half a person in their operations team, to supervise the reconciliations to their 12 prime brokers and their administrator as well as to manage the technology infrastructure that Broadridge provides to them.

“It’s a great example of how to use technology to leverage and scale the management and control of a manager’s service providers,” says Egeth, who agrees that start-ups could benefit immensely from this trend. After all, they have to work the hardest to convince investors and regulators alike that they are a safe place to invest.

“A USD50 million hedge fund can now start off, on day one, with just as sophisticated an operational infrastructure used by some of the top tier hedge funds in the world,” concludes Egeth.

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Bennett Egeth, President of Broadridge Investment Management Solutions

Putting industrial-grade infrastructure in place

Interview with Bennett Egeth
Advent technology delivers outstanding ROI:

Return on Innovation
In a global market that’s always in motion, Advent delivers award-winning solutions that help sharpen your decisions and put you in control. That’s what makes our technology the smart alternative for the alternative marketplace. www.advent.com
The word “innovation” is used far too casually, not just in financial services but across industries. At Advent Software, a pioneer of fund accounting technology for more than 30 years, the focus isn’t on delivering innovation for innovation’s sake. Rather, it is on taking a forward-looking stance, understanding where the industry is headed and listening to its clients’ needs.

“We have a responsibility to deliver solutions that our clients value and will help them operate more efficiently. In other words, innovation has to add real, tangible value and be worthwhile,” says Robert Roley, Vice President of Solutions at Advent.

Technology firms can sometimes get carried away creating solutions that satisfy customers on an emotional level. Often times, however, they miss the mark because the solution is not what the customer needs or is willing to adopt straight away. The danger of being too far ahead of the curve is a perilous one: think Laserdisc in the audio visual industry, or the Newton, a PDA developed by Apple in 1987. All perfectly good products, but they never fully took off.

For a technology firm, striking that balance in terms of offering a solution that is both relevant, stylish, and which solves a market solution at the right time, is challenging.

“It has to be something that clients are ready to adopt immediately. We want to stay slightly ahead of the curve, but also to be sure that our clients can derive real value from any new solution we develop as opposed to coming up with something that merely looks impressive in a demonstration,” says Roley.

Take Advent’s Geneva, the firm’s flagship accounting engine used by over 300 firms across the hedge fund firmament. The genesis of this solution goes back 20 years when one of Advent’s clients asked it to build a portfolio accounting system that could do things no other system at the time could do. One of the best examples of the lasting impact of Geneva’s innovative design is the way it handles correcting mistakes.

“A few years ago, one of the largest hedge fund managers implemented Geneva and at the end of the project they found that their staff had gained anywhere from 30 to 60 minutes a day simply because of the efficient way Geneva corrects mistakes. That meant staff could leave the office a little earlier, ultimately improving team morale,” notes Roley.

At Advent, there is an understanding that innovation cannot be artificially produced. Solutions that become innovative are almost singularly the result of client interaction. Take Advent Data Services, the firm’s data network that delivers portfolio data to its clients on a daily basis.

“We knew our clients wanted an efficient way to download data from their counterparties and we solved that by creating a hosted multi-tenant environment, which today everyone calls “The Cloud” but that term hadn’t even been coined at the time. We weren’t trying to be innovative so much as trying to make it easier for clients to use our software,” adds Roley.

“Managers need to look for technology solutions that are going to provide value from day one and for years to come. Those are the types of solutions Advent is focused on building; ones that clients will see a return on investment over the long term,” concludes Roley.

**Innovation comes from identifying client challenges**

Interview with Robert Roley
Overview

At Eze Software Group, the medium to long-term focus is on bringing its comprehensive desktop functionality to the cloud. “Managers are looking to streamline their systems and move away from housing multi-system architecture. Our plan is to deliver an industrial-class cloud solution that the industry is looking for. It’s well underway. We’ve been building out the cloud framework and moving functionality over to the cloud in an iterative fashion,” confirms Shoreman.

A good example of this is Eze Broker Review. This allows asset managers to vote on where to direct their commission dollars. “This is functionality that we had in a few different modules in the system. We took all that functionality and migrated it to the cloud to allow it to work alongside the rest of the Eze Software investment suite,” adds Shoreman.

EGeth says that one current area of focus is asset class coverage. Over the years, funds have broadened their asset class coverage, which has in turn increased the operational risk of maintaining multiple systems. “It used to be that the fixed income team would run one platform and the derivatives team would run another platform. It has become extremely important to bring everything together onto a single platform in as close to real-time as possible. “In the eyes of an institutional investor, it is critical for a hedge fund to have a fully backed up and redundant infrastructure that can prevent any form of disruption. The fund’s operations team must have knowledge and expertise to be able to build resilient applications that can run multiple data centres in order to minimise downtime – and that’s something else that they get out of using providers like Broadridge,” concludes EGeth.

Chad Allen, UMB Fund Services

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As the asset management industry continues to grow, driving investors’ appetite for more transparency, reporting and risk controls, the biggest challenge hedge fund managers face is how to create scale.

Founder and CEO Jayesh Punater established Gravitas Technology Services in 1996. Gravitas provides a technology platform to the asset management industry with a particular focus on supporting the front- and middle-office for hedge funds. The solution is simple: Gravitas partners with managers to create smarter scalability for their funds. Working in conjunction with fund administrators, it enables hedge funds to leverage complete front- to back-office support.

“As a result of these increased demands, there is a need for what we call ‘smart scale’ in terms of the way managers operate today,” says Punater. “This is especially true when one considers data management. With the way hedge funds operate – mobile communications, cloud computing, etc – there really is no downtime for managers. Managers deal with a constant flow of information – the speed of which has become critical.”

“Consequently, there’s a huge focus not just on efficiency but on having immediate access to data anytime, anywhere. The focus on data management is growing and will continue to grow exponentially – not only as a defensive measure to manage day-to-day operating needs and to meet investor and regulatory reporting needs, but also to gain competitive advantage,” says Punater.

To overcome issues of scale, data management and speed, managers might choose to hire people and build the technology internally. With so many moving parts, the problem is that managers have to build a separate interface to integrate different systems, which becomes quite an ordeal to undertake and manage.

“How do you get each vendor to meet the speed and agility required to optimise your business model? It doesn’t work using the multi-system approach. However, while managers are comfortable outsourcing the back office functions to their administrator, they have been historically less comfortable outsourcing the front- and middle-office functions because they don’t want to lose control or customisation. This is now changing,” notes Punater.

In 2012, Gravitas acquired a front- and middle-office technology platform from TPG-Axon Capital Management, a New York-based global multi-strategy manager. Since then, Gravitas has been enhancing the platform to provide a fully integrated solution, giving managers the confidence to outsource their front- and middle-office functions by adding pre-trade compliance, support for all credit product types and an integrated data model.

Central to Gravitas’ philosophy is that managers need a single view of their data using one integrated platform, as this empowers managers to make faster, smarter decisions.

“…a single view of a firm using a system that connects directly to the fund administrator to support portfolio management, risk management, research, order management, and middle-office is a powerful proposition. Moreover, the client receives services that are fully customisable and controllable as if the Gravitas staff were part of their own team,” confirms Punater.

Reporting and transparency are a few of the main issues that managers are grappling with today. Take reconciliation, for example: identifying trade breaks and resolving them quickly requires robust data.

“Gravitas first solves the data problem and then adds a layer of service on top to improve efficiencies in risk reporting, reconciliation, etc. With increased demands from clients in respect to these two areas, smarter scale is becoming even more critical as more funds enter the space,” concludes Punater.
According to Alexei Miller, head of the Financial Services practice and managing director at DataArt, a technology consulting firm that designs and builds custom software systems, data and data management remains front and centre of managers’ minds in the alternatives industry. Regardless of their size, hedge fund managers face the same data management demands, which is leading to a lot of data-related projects and keeping Miller’s team busy. These projects range from data acquisition, data cleansing to customising data feeds and data visualisation.

“There’s still a significant need among managers, even those running USD100 million, not just billion dollar managers, for proprietary technology solutions, which is obviously good for us as a firm.

“One interesting trend that we are seeing is large managers spinning off their technology assets into smaller firms; we’ve seen D.E. Shaw launch Arcesium and they’ve since announced that Blackstone’s alternative asset management (‘BAAM’) business has signed on to be a client. I expect to see more managers doing this going forward. We are also having discussions with buy-side firms on whether it makes sense for them to pool their resources together to develop non-proprietary technology platforms,” explains Miller.

With respect to Arcesium, this is a fully hosted technology platform offering asset managers sophisticated post-trade support in areas such as security master maintenance, trade capture, asset servicing, treasury functions and portfolio data warehousing. That this is a platform spin-off from a well-
established manager is intriguing and could indicate a future evolution of the hedge fund technology space.

For now, however, the vast majority of managers are turning to mobile technology solutions to bring greater efficiencies to the way they operate. By mobile, what we mean here is the web-based cloud environment just as much as tablet and smartphone-based applications.

**Scalable technology**

One firm that has utilised the cloud, and who engaged the services of DataArt to build the solution is OpsCheck, of whom Frank Caccio is the Managing Partner.

OpsCheck is designed to foster operational excellence, especially in compliance, whereby the COO can manage all the operational tasks, make sure they are getting done on a timely basis, and provide accountability; it is, in effect, a central repository where the user can easily retrieve and verify information. As a web-based application, OpsCheck allows firms to strengthen the management of their infrastructure oversight. What makes it credible is that Caccio has led operations teams at Highbridge Capital and Tiger Management, as well as serve as COO to emerging managers. He therefore knows the challenges that today’s COO faces.

“There are so many things that you have to fulfill on the infrastructure side, so many responsibilities and tasks, that I recognised a need in the marketplace for a comprehensive tool. I created OpsCheck to help alternative investment firms address their operational challenges more efficiently, today and in the years ahead,” says Caccio.

OpsCheck is customisable, allowing users to create departments and categories. In addition, one can build a hierarchy within the system to give people different levels of permission. As Caccio explains: “You can permission them based on the departments they should and should not see. In a large organisation, you would typically build that hierarchy because you don’t need every operations person seeing who the investors are and how much they are investing.

“In a small organisation, by comparison, you will likely want to run a flat organisational structure where everyone has full access to everything to manage the operations,” says Caccio.

Another firm that is helping managers achieve greater scale with their operations is New York-based Gravitas, whose platform is designed specifically to support front- and middle-office functions. Shadow Accounting is becoming a key focus for managers, and their investors. Not only do managers want the ease of using an effective outsourced solution that can function as an extension of their operations team, they want to be better equipped at identifying and acting upon trade breaks and verifying the data coming from their administrator.

“In one case, we had a client who was getting 500 trade breaks. By using our platform, they were able to bring that number down to 50 trade breaks,” says Gravitas founder and CEO, Jayesh Punater. “This point about ‘Who is checking the administrator?’ is becoming more important. Regardless of whether it is a fund administrator issue, or an internal staff issue, by having better technology and transparency, managers are better placed to fix the issue.”

Reconciliation services for the middle office and market risk reporting services for the front office are the key areas of focus for Gravitas for 2015, with Punater confirming that the firm has started to dabble in mobile technology functionality in order to provide dashboards and risk reports.

“What is important to consider with mobile communications is that the look and feel of the application has to change (compared to desktop applications). It needs to change from a Bloomberg look and feel to more of a Facebook look and feel.

“One of the areas we are focusing on is the interface. It needs to be user-friendly and easy to navigate,” says Punater.

“There’s still a significant need among managers, even those running USD100 million, not just billion dollar managers, for proprietary technology solutions, which is obviously good for us as a firm.”

Alexei Miller, DataArt
Imagineer Technology Group arms asset managers and allocators with powerful and customizable CRM, Research and Web Reporting Solutions.
New York-based Imagineer Technology Group (‘ITG’) offers award-winning solutions to help hedge fund managers address the transparency and workflow demands necessary to stand out and succeed in today’s marketplace.

These solutions, which include an industry specific client relationship management (CRM) software, a web reporting portal and a fund research and due diligence platform, have been designed to help managers build workflow efficiency and communicate more effectively with investors and prospects.

Imagineer is probably best known for its flagship CRM platform, Clienteer.

“Although Clienteer is often categorised as a CRM tool, it goes far beyond that,” explains Erol Dusi, founder and president of Imagineer. “There’s a great deal of functionality to assist with the specific business workflows required by an asset manager. Whether its business development/marketing, investor relations, transaction processing, compliance tracking and reporting, or group document distributions – our clients appreciate the breadth and depth of our offerings to help them manage their day-to-day business.”

“Clienteer is used by a firm’s Investor Relations team as the primary hub for all of the information that asset managers increasingly have to track on their investors and prospects as well as seamlessly pulling in account and transactional data from the fund’s administrator. Having this data centralised and well organised helps our clients easily deal with informational flows required by their “know your customer” (KYC) policies or their compliance reporting like ERISA levels, FATCA, or Form PF,” says Dusi.

Another key solution Imagineer offers is a web portal called WebVision that handles all aspects of online reporting at both fund and investor levels from within a manager’s own corporate website, maintaining the firm’s branding throughout the site. WebVision can be implemented either stand-alone or in-line with Clienteer for an end-to-end solution.

“Our clients can easily leverage a single data source from Clienteer to manage their online content and access control to that content, eliminating many unnecessary steps in the process,” says Dusi.

As a communication channel, WebVision not only addresses the transparency demands on managers by providing investors and prospects easy access to fund information, it also allows managers to gain insight on them in the process. “Since our clients can granularly track all website activity, the platform enables them to know more about their investors and prospects’ interests on an ongoing basis,” adds Dusi.

Such tools improve the workflow automation process for most hedge funds. Moreover, what Imagineer and other technology specialists are doing is helping managers migrate away from having to rely on multiple systems or to support complex IT architectures.

To illustrate, Clienteer for example, can calculate all of the performance statistics and benchmark comparisons required to generate custom branded fund factsheets. This alone could help the manager save thousands of dollars by not having to buy a separate performance analytics system.

“This is certainly another advantage that solutions like Clienteer and WebVision can provide as a way for managers to save time and money by reducing the number of systems in their operational infrastructure,” explains Dusi.

“The platforms we offer help firms establish their workflow best practices which can scale with the firm as they grow. For fund managers, being able to do more for less capital outlay is a clear benefit, and that’s exactly what our technology is designed to do – deal with the burden of regulatory and reporting requirements that are getting more onerous all the time.”
As a global leader in data-driven solutions for efficiency and control for the asset management industry, Confluence solves the industry’s toughest data management and automation challenges, including performance reporting, regulatory reporting, investor communications and fund expense management.
Confluence is a data management and software company whose heritage lies in US mutual funds. The firm started out providing technology to automate the calculation and distribution of NAV prices for US mutual funds. Over time, the Confluence platform has grown to encompass financial reporting, expense management, regulatory reporting, etc.

One of the problems the industry faces today is that regulatory reform has created a shift towards a more intrusive operational oversight. Currently, in relation to data management and the problems thrown up by Annex IV reporting under the AIFMD in Europe managers tend to be somewhat reactive. As Nicola Le Brocq, the regulatory and compliance analyst at Confluence, notes: “The plethora of regulation currently in force and scheduled for future implementation is resulting in managers having to source and manipulate data in numerous ways and to numerous timeframes with no cohesive approach.

“What is not working today is that the bulk of the focus and cost has been allocated to building out compliance teams to demonstrate substance and responses to supervisory bodies requests for data are isolated and reactive in nature. In order to create efficiency and control you need to have the right system to support that. There’s an opportunity for the industry take a more strategic and holistic approach to solving the problem,” says Le Brocq.

“One of the themes emerging today is that it is no longer sustainable to run fund management operations in a fragmented way. Reporting needs to be done using a more consolidated approach to reduce costs. Our focus is on how to harmonise our solution suite that we provide to managers in order for them to harmonise all of their reporting obligations,” confirms Le Brocq.

At a high level, this may involve developing disruptive technology; i.e. technology that brings an entirely new value-add solution to solve an industry problem rather than being built around existing operations.

The Retail Distribution Review (“RDR”) of 2012 created problems for financial advisors in terms of operating in an open architecture way and adhering to new rules on commission and rebate arrangements. Fund research teams have since spun out platforms to help advisers facilitate the advice and be more transparent about their fees and commissions to their clients.

“This could be viewed as a form of disruptive innovation as it has helped to create a new, more efficient process for the advisory market,” explains Le Brocq.

“Disruptive technology in our view should solve not only today’s regulatory demands but future regulation that managers haven’t even had a chance to contemplate,” adds Thomas Pfister, manager of EMEA Market Management for Confluence. “That can only be done by taking a new approach to the problem rather than reacting each time a new piece of regulation comes along and using technology to solve the issue.

“We are talking about changing the ways these problems are analysed and planned for before they even become problems,” says Le Brocq.

The goal at Confluence, says Pfister, is to create a unified data-driven platform that enables managers to grow revenue, drive efficiency and reduce their risk.

“In pursuit of this vision we are focused on replacing highly fragmented solutions with a single platform that solves all of the complex data management automation challenges, with a focus on regulatory reporting,” concludes Pfister.
Hedge funds today expect their appointed administrator to do a lot more than merely strike the NAV and keep the Investment Book of Records up-to-date. Value-add services, such as data management, regulatory and compliance, risk, and performance and attribution – all of which utilise the same underlying dataset – are becoming an increasingly important diversifier.

“You have to have the right technology platform and systems in place to gather data and help managers report that data on the compliance and regulatory side,” explains Eamonn Greaves, Head of Business Development at SS&C GlobeOp, one of the industry’s leading fund administrators.

“One of the big initiatives in recent years has been to build our regulatory and compliance solutions platform. We consume huge volumes of data on a daily basis from our hedge fund clients and essentially store that data in a vast warehouse. The systems that need that information subscribe to the warehouse, pulling in information on an ‘as needed’ basis.”

In the last couple of years, dealing with regulatory compliance has become a major priority for hedge funds.

Using SS&C GlobeOp’s solutions, activities such as Form PF reporting, FATCA, Annex IV, CPO-PQR can be performed on a single platform, extracting information that traditionally goes into the NAV into the specific regulatory file. This is then automatically supplemented with investment management information.

“We can do this quickly because we have the data and our regulatory and compliance solution shares the same common data warehouse. Certain administrators have chosen not to get into the regulatory arena. With our solution, it has helped us get our foot in the door with managers and win new mandates,” says Greaves.

One of the key advantages to managers is that by relying on SS&C GlobeOp to do all the heavy lifting it avoids having to send the data to a third party to produce the report and worry that the outputs don’t match the inputs the manager has provided.

Moreover, using multi-purpose technology solutions means that the manager avoids needing to build in-house capabilities that have to be continually updated, have no scale benefits, and which cost operational dollars. There is now a growing expectation among investors that managers use third party specialists to provide the systems and controls at a reasonable cost.

“The variable fee rate is a key point. An administrator’s costs are generally based on basis points to NAV; as assets in the fund rise, the fees rise. As they assets decline, the fees decline.

“The model really works because if you hired a CTO, a group of developers, and had a lot of fixed costs, if the fund’s AUM were to drop then guess what, those fixed costs would stay the same. Variable cost is the new model and a better way for managers to run their business,” opines Greaves.

SS&C GlobeOp has also developed a transparency portal on the cloud. This gives managers real-time access to all of the reporting and data sets used.

“The way we’ve deployed technology puts everyone on a level playing field. Obviously the manager has to approve who can see the information but we have the technology to control how the manager shares fund data with investors, regulators. We have permissioning tools so if the manager only wants their investors to access say 30 per cent of the fund data we could set those permission limits accordingly,” concludes Greaves.
Jeremy Hintze is COO at ClearStructure Financial Technology. The firm runs Sentry PM, a comprehensive front- to back-office portfolio management system, which is both mobile-ready and uses the latest web technology.

To support start-ups in their need for single integrated solutions to control costs, ClearStructure has created the ClearStart™ program, which was introduced to the market in late 2014.

"ClearStart is aimed at giving start-ups access to the same technology as larger managers. With Sentry PM it works really well because it's a system that scales easily. ClearStart gives managers an institutional-grade core portfolio management system, inclusive of reconciliations, custom reporting and all applicable data feeds. It is fully hosted with disaster recovery. We have disaster recovery sites in Slough, UK, and in Utah and Chicago in the US," clarifies Hintze.

ClearStart offers links to EMS technology such as Bloomberg EMSX, taking in post-trade feeds to report on, perform reconciliations and provide daily fund compliance.

"With ClearStart, there's no further integration needed with other systems, as Sentry is an 'all inclusive' system. Additionally, since our system is modularised, as the fund grows we simply turn on additional functionality according to the manager's needs.

"Today, all managers have access to enterprise-strength systems. Whether they host them internally or use cloud-deployed solutions like Sentry PM, either way it's saving them money operationally, whilst at the same time checking the boxes when institutions come in to do their due diligence," adds Hintze.

With respect to front-office technology, managers who trade OTC derivatives face a major challenge on three fronts: firstly, regulation has atomised the markets, thinning the depth of liquidity. Secondly, the banks have scaled back their market making activities making it harder for buy-side traders to find suitable counterparties. Thirdly, given that traders are required to perform pre-trade compliance checks on their portfolios, their existing systems have been rendered obsolete; especially as they were designed to interact primarily with banks.
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The transformation of swaps processing

Interview with EJ Liotta & Chris Chanod

Over the last two decades there have been significant limitations in the way that technology to manage swaps processing has been deployed to hedge funds. PrimeOne Solutions is attempting to change that with SwapOne: a sixth generation global swaps lifecycle engine. By offering this bank-proven industrial solution, the aim is to help increase the level of efficiency in managing swaps not only at hedge funds but in the marketplace as a whole.

“This is a shift in mindset where hedge funds can have ownership of their own financing and P&L calculations on swaps rather than having to rely purely on their counterparties,” explains EJ Liotta, Global Head of PrimeOne Solutions.

Today’s swaps marketplace is highly fragmented and inefficient. Over the years, the way swaps are traded has seen a lot of customisation, particularly at the banks where an entire ecosystem of different systems has emerged.

“It’s about putting the power of the technology in relation to swaps processing in the hands of hedge funds and helping them become a little less reliant on the banks to handle their swap lifecycle calculations,” says Chris Chanod, Global Head of Business Development, PrimeOne Solutions, part of CoreOne Technologies.

For hedge funds that might be trading swaps with multiple bank counterparties, monitoring the lifecycle of those swaps becomes a complex endeavour.

“The trick is to ensure that you accurately account for cash flows coming out of the back of the swap in an efficient, accurate way. That’s precisely what our SwapOne software does. Our goal is to continue to deploy our software at hedge funds so that they become much more interconnected with banks. That’s the bottom line,” says Liotta.

“What we’ve done is to level the playing field where banks and hedge funds have the same power and capability in their hands. Our strategic vision is to form a network of swaps counterparties using advanced technology that can facilitate greater efficiency and accuracy.”

In other words, SwapOne is an attempt to create order out of chaos and establish a unified framework within the swaps industry.

“In the past, and in many cases still today, hedge funds have attempted to replicate the financing and equity calculations of their swap positions and transactions, as performed by their bank counterparties. Without true built-for-purpose swaps processing technology, they have typically done this by utilising equity OMS systems or traditional fund accounting systems to do complex portfolio swap calculations. However, those systems were not built to do that,” states Chanod.

A swap is an amalgamation of information that needs to be derived from an OMS, an accounting system, a payment system and so on.

“What has been missing in the industry, thus far, has been the glue to tie all that together. That’s essentially what SwapOne does. We are trying to create critical mass with respect to the user base. The aim is to amalgamate everything into a network of counterparties all running off the SwapOne software,” confirms Liotta.

Whilst entirely cognisant of the fact that establishing a similar platform for unified swaps processing will take time, Liotta is confident that SwapOne has the potential to revolutionise the swaps marketplace.

“We think to get to critical mass it’ll take 18 to 24 months, after which we will focus on developing the network aspect of the SwapOne programme,” concludes Liotta.
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A manager’s compliance filing cabinet

Interview with Jordan Schwartz

On 15 April 2015, Cordium, a leading global compliance consulting, accounting, tax and software provider to the financial services industry, introduced a new compliance software solution called Pilot.

A cloud-based solution, Pilot is a more up-to-date, cutting edge version of Cordium’s flagship product, ComplianceTrak. Pilot is designed to help compliance teams manage a plethora of compliance and operational tasks from start to finish and can best be thought of as a tracking and monitoring tool. Whilst many hedge fund managers have compliance manuals and processes in place, until now many struggled to document and monitor those processes, to prioritise activities and adapt best practices. Pilot now offers that capability.

“It all centres around calendaring. Pilot allows firms to set up multiple calendars and build out their day-to-day, week-to-week, month-to-month compliance programme to document, evidence and report on everything from a daily compliance monitoring perspective,” explains Jordan Schwartz, Director of Global Software Solutions at Cordium.

The skeleton that Cordium has built within Pilot for calendaring, permissioning, reporting, etc, goes beyond merely compliance. Operations teams and tax and accounting teams can likewise set up separate calendars and permissions’ workflows, making Pilot an effective solution across different business units of a hedge fund.

One of the most important aspects of Pilot is that it incorporates a vast array of intellectual property that Cordium has written over the years.

“We’ve built suggested task libraries into the system for a range of global regulations spanning SEC, FINRA, FCA, CFTC, HKSFC that clients can refer to and use within Pilot to build out their workflows.

“For smaller managers who don’t have dedicated compliance teams, Pilot not only gives them the infrastructure to monitor everything, it also provides a repository of knowledge on global regulation,” says Schwartz.

Pilot has been designed to help with the global compliance burden managers face today. Even firms with substantial infrastructure can still struggle to fully understand and document what they need to be doing in respect to regulation and compliance.

“What Pilot does is centralise the compliance programme and gives global compliance teams the ability to operate from one system for their reporting and documentation.

“When we launched Pilot we thought that the task library feature would be something that more of the small and mid-sized managers, who have fewer resources, would want to use. Surprisingly, we’ve seen just as much interest from larger managers. Although they typically have large compliance teams, having access to regulatory knowledge that they know is constantly being updated, has proven to be useful to them as well,” confirms Schwartz.

Using calendaring, Pilot will, for example, send out a reminder email to the compliance officer for when the next Form PF filing is due. That particular workflow, pertaining to Form PF, can be documented and tracked.

One of the other key features of Pilot is that it contains powerful search function capabilities. When clients upload documents, notes and comments, this makes it incredibly easy to find specific data and, when necessary, evidence a clear audit trail.

“If you want to do a search and pull out all of the Form PF data over the past two or three years, you can easily use filters within Pilot to bring up that data.

“We like to think of Pilot as being a Manager’s compliance filing cabinet,” concludes Schwartz.
To meet this challenge head-on, last November TradingScreen®, a leading provider of electronic trading solutions, introduced TradeCross, which helps buy-side institutions trade blocks safely and anonymously as bond trading moves towards an all-electronic, all-to-all market structure.

“We have close relationships with a lot of large buy-side firms. They came to Trading Screen and said: ‘Can you help us? We know that there are other buy-side participants who would like to buy bonds that we want to sell, but we have no way of doing that safely without publishing our position to the marketplace and getting taken advantage of,’ explains Philippe Buhannic, CEO of TradingScreen.

Whereas previously, traders have used a Request for Quote (RFQ) model, the problem with this is that they have to disclose their position. TradeCross overcomes that issue. There is no public showing of their hand to the market.

“On the one hand what we offer is a fully integrated SaaS solution that allows the buy-side to cover their needs in one place. On the other hand, we decided that if we are showing information on positions and orders we should also provide an intermediary piece; a kind of network where people can communicate safely with no risk. We can connect the buy-side through this intermediary structure to help them load up or unload positions in a safe, anonymous way,” adds Buhannic.

PrimeOne Solutions has also developed a solution to improve trading efficiency in front-office teams with its SwapOne product. This enables traders to perform real-time, accurate calculations for the financing of a swap. The team can look at the workings of that swap at any given moment and have an intelligent conversation with their counterparty, who will be looking at exactly the same information.

“Up until now there has been a real problem with respect to leakage of profitability in the buy-side community through inaccurate financing and equity economics calculations within their own platform because they’ve been reliant upon systems that weren’t designed for that purpose.

Jeremy Hintze, ClearStructure Financial Technology

“Today, all managers have access to enterprise-strength systems. Whether they host them internally or use cloud-deployed solutions like Sentry PM, either way it’s saving them money operationally.”

“We are reacting to a real need in the market as managers look to improve their operational efficiency," states Chris Chanod, Global Head of Business Development at PrimeOne Solutions.

It’s not only execution specialists that are shaping market infrastructure.

SS&C GlobeOp is also using its technology heritage to good effect. Ever mindful that managers want to know where they stand, in relation to where trade breaks are and in what positions, before the markets have even opened each morning, the administrator is now producing reconciliations quicker and more frequently than ever before.

“We are able to produce a report on all trade break reconciliations for the prior day on a T+1 basis by 8am EST. We have an Asia-based office and a European office and a US office. This is a global solution to support managers before the relevant fund market opens.

“Also, we have a solution that produces those reconciliations automatically, using technology to look for the availability of the prime broker or custodian files. Once those files are available it runs an automated process to pull in the data from our systems to produce the reconciliation automatically. Our staff in Asia and Europe then resolve the breaks and deliver the report for the US manager to open first thing in the morning,” explains Eamonn Greaves, Head of Business Development at SS&C GlobeOp.

Mobile technology

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Using systems integration to drive efficiency

Interview with Jeffrey Shoreman

In the last few years, market complexity has grown in response to increased regulatory demands, increased investor due diligence requirements, more complex fund strategies and even how hedge funds manage their balance sheets with their prime brokers.

These demands are putting pressure on technology specialists to innovate. One firm that is helping to pioneer the way that hedge funds streamline their operations is Eze Software Group. According to President, Jeffrey Shoreman, “we feel we are driving innovation in this space by bringing together front, middle and back office functionality in ways that have never been done before.”

Eze Software Group was established in 2013 by bringing together three industry-leading products: Eze OMS, RealTick EMS and Tradar PMS. As such, integration lies at the heart of the firm, having knitted together these three solutions to create the Eze Software investment suite.

Users can choose to either use the three products in isolation, or altogether in a single offering. This provides a consolidation solution to manage the investment lifecycle from portfolio analysis and modelling, through to trade execution, order management and reporting.

“One of our major focuses has been integrating the execution management functionality and the compliance engine. This allows pre-trade compliance checks to run seamlessly at trade entry and throughout the trading lifecycle,” explains Shoreman.

“What makes Eze Software unique is that because the systems both reside under one roof, they are able to avail of synchronised data. In order to get a firm-wide view of compliance, “clients need to have all the transactions and positions in one place for the compliance system to evaluate them. This means the manager can track their exposure and risk more accurately,” adds Shoreman.

Another example of how Eze Software Group is helping managers reduce their operational risks is by integrating the OMS and PMS functionality.

As Shoreman explains: “Historically, order management systems were the intra-day book of records; one could manage all of the positions and transactions but then you’d have to shift them over to the accounting system, or the portfolio management system, to do shadow NAV and month-to-date and year-to-date P&L calculations.

“We are bringing the OMS and PMS functions together, so that when you enter a trade into the OMS, it automatically flows into the PMS, allowing you to see updated positions.”

Managers today want the ability to perform up-to-date risk reporting at any point throughout the day in order to monitor their risk exposure, to see how their MTD and YTD P&L is changing. What they don’t want is to have to pull data in from multiple systems and reduce the number of manual processes.

“We can offer one process where technology is driving efficiency front through back and reducing human error to streamline a hedge fund’s overall operation,” concludes Shoreman.
need to hire teams of people to do time-intensive tasks; now, as technology improves and becomes more web-based. Managers are able to replace a team with a single person to oversee the process and generally do a lot more high-level analytical work on the output that the technology provider produces.

To use a military analogy, modern-day armies are no longer composed of hundreds of thousands of ground troops. Instead, by switching to technology, remote weaponry is being deployed with ever-greater precision, making today’s 21st Century army a much leaner and meaner outfit. A similar situation is now unfolding as more and more hedge funds adopt cloud technology.

“All of our systems and processes are covered on our SSAE 16. They are fully automated and documented and from a due diligence perspective investors want to feel confident that the systems in place are battle-tested, audited, and industry-standard rather than assess some system that a CTO has built internally,” explains Greaves, who confirms that SS&C GlobeOp is taking a step-by-step approach to mobility:

“We’ve started off by providing reporting functionality to our hedge fund clients; commuting home they can access the fund’s P&L report, and within that application they can annotate, do voice recognition, they can record voice mails and email them. If they have a question in the report they can circle it, post a voice note and send that directly to us from their mobile device.

“The second phase of mobility relates to cash movements: wires, expense payments etc. You can now get a digital signature from the CEO or CIO within our application to move money for expenses, invoices. This helps to keep the business running smoothly even when you are on the road.”

Bob Guilbert is Managing Director at Eze Castle Integration, a leading provider of IT solutions and private cloud services to more than 650 global alternative fund managers. He confirms that three significant enhancements have been made to the Eze Private Cloud recently.

The first is Microsoft Lync, which enables users to have full chat room capabilities and multi-party video sharing capabilities.

“You now have the ability through the Lync interface to see whether or not someone is on the phone, in a meeting, out of the office, or present and available. It’s really an efficiency tool and a communications enhancement. We have incorporated this into the Eze Private Cloud at no additional charge,” confirms Guilbert.

“We also added new technology from a company called Varonis. One solution is called DatAnywhere, which allows secure Dropbox-like capabilities for sharing documents on the cloud. The other solution is called DatAdvantage. This is a monitoring audit and reporting tool. It allows us to share, if requested by a fund, who accessed the file, who might have modified it, and who might have deleted it.

“If the SEC pays someone a visit and wants to know why files were deleted we can produce proof with an audit trail of what happened, and by whom. It could also help managers determine if someone who leaves the firm has taken files with them, or has done something damaging,” adds Guilbert.

In the US, ECI has also launched an Eze Voice offering, which provides voiceover IP capability. It is not yet available in Europe, but in Guilbert’s words it will be “groundbreaking”.

“It is a voiceover IP phone that is delivered over a standard internet point-to-point service to the office. We will be the first service provider offering such a hosted solution to the alternative investments industry in the UK,” says Guilbert.

Whilst a lot of technology solutions have brought improvements to the way managers control their workflow and collaborate internally, front to back, what has been missing is the ability to extend that collaboration to other firms: be that a prime broker, an administrator, or an investor who...
can contribute to the workflow as part of a manager’s monthly process.

“With Advent Direct, one area of product innovation we are working on is cross-firm collaboration. That’s a tricky thing to solve, getting all the entitlement and privacy concerns in place, but it’s something that no one has solved and as part of Advent Direct we think it could bring a lot of positive benefits to the hedge fund industry,” confirms Robert Roley, Vice President of Solutions at Advent Software.

One of the most pressing areas that Advent is looking to solve for asset managers is the provision of client-facing technology as investors ask for more transparency.

“They want to see transparency not just into a manager’s investment performance but also into the investment process. We are building a new product within Advent Direct called Advent Direct Research Management, which is addressing transparency in the research process; much like our Tamale product, but leveraging the benefits of the cloud. Most of these demands for transparency solutions are actually coming from managers’ end investors,” adds Roley.

Cloud security

At Gravitas, Punater confirms that the firm has recently hired a Chief Information Security Officer (CISO) – one of a growing breed of specialists being hired by hedge funds and technologists alike to tackle cybersecurity issues.

“One hand managers want to outsource services, but on the other hand they are concerned about security and the robustness of the platform. There are three components to manage security:

• Technology – having the right technology safeguards in place; firewalls, antivirus software etc.

• Training – having good training internally. Don’t share passwords with third parties, control who can access data, make sure it is password protected etc.

• Processes – put in controls. If your COO sends you an email to wire USD1 million don’t just go ahead and do it. Get a separate sign-off and be absolutely certain of the email’s authenticity.

“Doing all three of the above is critical in terms of managing security within a hedge fund,” states Punater.

“We attach only the link to find the document in the manager’s network, meaning anyone outside of the network could never access the data within the document. The links are only valuable to those who have access,” says Caccio, stating that the aim of OpsCheck is to give COOs a “good night’s sleep”. Moreover, Caccio believes that by developing best practices with its operations, a hedge fund manager puts himself in a better position to attract institutional assets.

“Institutional investors don’t invest in hedge funds because of their operations, but they’ll make a decision not to invest because of operations. If an investor feels good on the investment side, and especially good on the operational side, that’s where they’ll put their money. OpsCheck can give managers an edge over their peers by demonstrating how well they are running their business,” opines Caccio.

Eze Castle Integration has just announced what it calls Eze Active Threat Protection (ATP), a virtual solution for intrusion detection and protection to keep its clients from cybersecurity incidents.

“These attacks are happening every day. With Eze ATP, clients receive the combined benefit of active intrusion detection, 24x7 human security monitoring by eSentire analysts, and rapid threat resolution executed by Eze Castle Integration,” concludes Guilbert.

“Up until now there has been a real problem with respect to leakage of profitability in the buy-side community through inaccurate financing and equity economics calculations within their own platform because they’ve been reliant upon systems that weren’t designed for that purpose.”

Chris Chanod, PrimeOne Solutions