

## CASE STUDY: Fund Administrator

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### SITUATION

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A Fund Administrator approached Smonik about improving their investment operations reconciliation practices. Reconciliations were currently being performed, but they were sporadic and decentralized across a team of over 16 investment support professionals. The Administrator was looking to improve the collection of data from brokers/custodians, process the reconciliations more efficiently, institute standards for recon processing and the underlying data, and implement management reporting to monitor and control the process.

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### CHALLENGE

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The requirement for this administrator was to implement a robust reconciliation and data management platform that would significantly streamline the data collection and reconciliation process; reducing the time to perform reconciliations substantially and improve the identification and reporting of exception items to management. This administrator was originally formed due to the spinout of the middle and back-office operations team of a large investment management firm. The teams were organized across clients, based on asset class, thus creating an expert, but de-centralized structure. Reconciliations were performed primarily on spreadsheets with complicated macros and formulas to deal with the lack of standard data. This created a scenario where individuals became expert with their specific asset types but afforded no opportunity for standardization of data or process across the organization. It was a labor-intensive process for management to collect metrics to determine when reconciliations were completed, aged breaks, total number of breaks, etc. Individuals would download reports/data from broker websites, or save files attached to emails, in order to collect data for reconciliation. This was a time-consuming process.

The scope included the mapping, data management and automated scheduling for the retrieval of over 100 files containing either security position, cash transaction and/or cash balance activity. These files came from over 20 ftp sites across 17 different brokers/custodians. One complexity was the significant number of asset classes, including numerous derivative positions, requiring data transformation. Due to the lack of standardization regarding the data provided by brokers/custodians a powerful, yet flexible, tool was required to conform the provided data to a common format for comparison. For instance, standard identifiers do not exist for most derivative positions (IRS, CDS, Commodity Options, etc.). The reconciliation tool had to create an identifier, based on data provided by the broker, to match the identifier used on the internal record-keeping system (Advent Geneva). Other challenges included translating the position direction (long vs short) when a broker would provide positions from their own perspective or transforming various data elements provided by the brokers to a common format.

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### SOLUTION

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Smonik entered into a software license and implementation agreement with the administrator in December 2016 to implement position and cash reconciliations for all clients/funds serviced by the Administrator. A schedule was created including all broker/custodial accounts to be utilized as part of the reconciliations. Using Smonik's DMS(Data Management Service) tool, standard templates were created for both cash and position reconciliations and data files were mapped to these templates. The DMS tool was able to perform complex data translations to facilitate matched records. As part of the DMS functionality the Administrator was also able to set up automated schedules (over 100) to retrieve files from the various ftp sites daily. The Control Center allows users to easily monitor the file receipt process. This process saved numerous (xx) hours per day of staff chasing files or having to login and retrieve files from broker websites.

Once the data was collected, transformed and loaded to the Smonik Recon tool users could easily view their respective reconciliations. Users could view reconciled items based on their preferences, which are saved per user login. The tool includes rich functionality for managing (approving, adding notes, etc.) any breaks or unmatched items. Management is also provided with customized reports (also available on mobile devices), sent at two times during the day, showing specific metrics related to reconciling items.

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## BENEFITS

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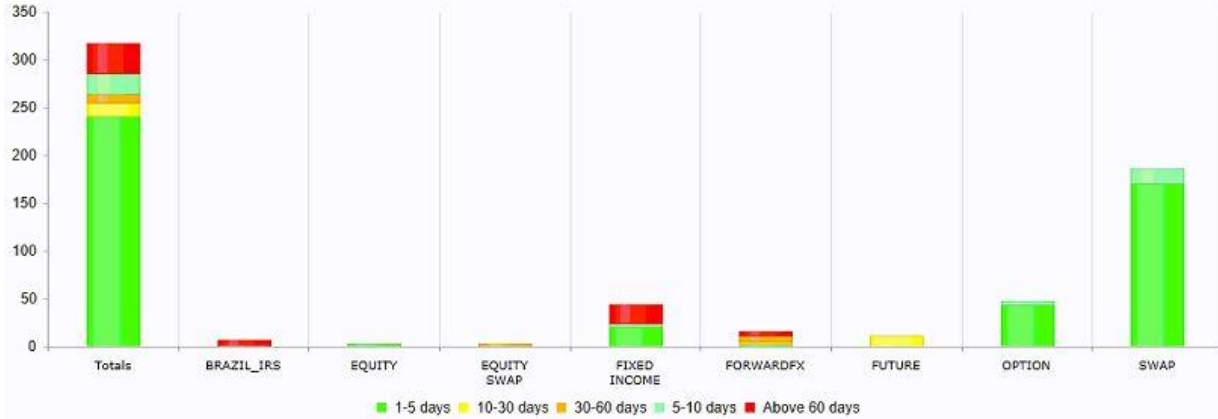
This administrator achieved significant efficiencies upon completion of the implementation. Savings of 75 man-hours per week and automated matching and approval rates over 99% have been realized over the first year. In addition, management now has a centralized tool to manage completion of all reconciliations and derive metrics related to aged breaks and number of breaks by asset class.

# REPORT SAMPLES

## Procedure Parameters

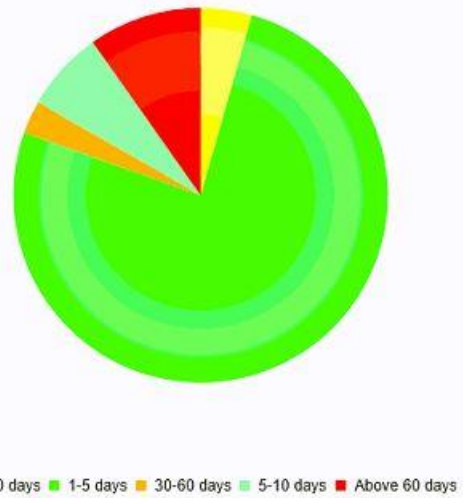
Posting Date  

### Aging Breaks All



AssetClass	AgingCategory	BreakCount
Totals	1-5 days	241.00
Totals	10-30 days	14.00
Totals	30-60 days	9.00
Totals	5-10 days	22.00
Totals	Above 60 days	31.00
BRAZIL_IRS	Above 60 days	7.00
EQUITY	1-5 days	3.00
EQUITY SWAP	30-60 days	3.00
FIXED INCOME	1-5 days	21.00
FIXED INCOME	5-10 days	3.00
FIXED INCOME	Above 60 days	20.00
FORWARDFX	1-5 days	2.00
FORWARDFX	10-30 days	3.00
FORWARDFX	30-60 days	6.00
FORWARDFX	5-10 days	1.00
FORWARDFX	Above 60 days	4.00
FUTURE	10-30 days	11.00
OPTION	1-5 days	44.00
OPTION	5-10 days	3.00
SWAP	1-5 days	171.00
SWAP	5-10 days	15.00

### Aging BreaksBy Days



## Break Matrix By Asset Class

Asset Class	Match %	Match Count	Approved %	Approved Count	Approved Without Comment %	Approved without comment Count	Unresearched %	Unresearched Count	Total Count
Total	94.07	5,033.00	5.35	286.00	0.24	13.00	0.34	18.00	5,350.00
BRAZIL_IRS	0.00	0.00	100.00	7.00	0.00	0.00	0.00	0.00	0.00
EQUITY	99.76	1,248.00	0.00	0.00	0.00	0.00	0.24	3.00	1,251.00
EQUITY SWAP	97.89	139.00	2.11	3.00	0.00	0.00	0.00	0.00	142.00
FIXED COLLATERAL	100.00	3.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
FIXED INCOME	92.64	554.00	7.36	44.00	0.00	0.00	0.00	0.00	598.00
FORWARDFX	97.91	750.00	2.09	16.00	0.00	0.00	0.00	0.00	766.00
FUTURE	94.33	183.00	5.67	11.00	0.00	0.00	0.00	0.00	194.00
HEDGES	100.00	62.00	0.00	0.00	0.00	0.00	0.00	0.00	62.00
OPTION	96.20	1,189.00	2.75	34.00	0.08	1.00	0.97	12.00	1,236.00
SWAP	82.95	905.00	15.67	171.00	1.10	12.00	0.27	3.00	1,091.00