

CASE STUDY: MULTI-ASSET CLASS RECONCILIATION

SITUATION

A large, established, Boston-based fund manager with AUM >6B reached out looking for help with their reconciliation needs. The fund had implemented a custom solution several years prior that was prone to errors, cumbersome to maintain, and difficult to enhance. Their requirements were complex: The fund is global, multi-strategy, and trades in a wide variety of asset classes and their requirements couldn't be met by traditional reconciliation systems. They needed to import data from custodians, brokers, internal accounting systems, as well as aggregated bank records that needed to tie out to trading activity. Their requirements were particularly complex due to the nature of the fixed-income derivatives they were trading and their need to reconcile this activity to brokers and underlying bank records. In addition, they needed a robust system so they could be able to run recons daily – smoothly, without requiring a large amount of staff time to prepare files for recon or to manage the recon process. The Smonik platform was chosen as the system best able to fulfill these requirements.

CHALLENGE

Implementation was completed in four weeks. Due to their non standard workflow and requirements, the challenge was four-fold:

Problem: Data Integration

Solution: Smonik DMS

The files they were receiving couldn't be simply imported into a reconciliation system for matching. An extensive amount of data aggregation, normalization, and mapping had to occur to prepare the data prior to reconciliation processing. Smonik's Data Management System (DMS) is a powerful, easy-to-configure system that was able to retrieve, import, transform, and map the client's data file into a format that can be used for reconciliation. Transformation and business rules are implemented in the system, which allowed for rapid integration of the client's files into the smonik platform. Due to the capabilities of Smonik DMS, Smonik's implementation team was able to use existing data extracts, rather than require the client to generate new extracts just for the recon implementation. After sitting with the client to document specific business rules, the Smonik team was able to complete the mapping and integration in under a week.

Problem: Straight-Through Processing

Solution: Smonik Platform

The client had very strict requirements that the system be as automated as possible in order not to excessively tax the users of the system. Reconciliations were to be done daily and a requirement was for users to be able to focus on resolving breaks rather than operating the system or managing the reconciliation process. Smonik DMS allowed for an efficient integration of the client with its

counterparties and custodians. All data retrieval, transformation, and normalization were completely automated and generally require no user interaction. Though, the real power of the Smonik platform is that Smonik DMS is integrated with Smonik Recon using a trigger-based architecture. Once data files are retrieved and processed, the data is passed on to Smonik Recon for reconciliation. This is all completely automated and can be monitored using Smonik's Dashboard. The Smonik platform was able to completely meet the client's very strict requirements.

Problem: Complex Matching Requirements

Solution: Smonik Recon

The third significant challenge this particular client had was that the sophisticated matching logic required to meet their requirements wasn't available in other software products. Smonik's Recon engine could meet their requirements out of the box — with no custom enhancements. Smonik Recon is completely configurable and the Smonik team was able to configure the matching rules and workflows in less than a day once the business rules were documented. Workflow rules were configured to follow the client's existing workflow and matching rules were configured to allow for one-one, one-many, and many-many transaction matching. The flexibility and configurability of the Smonik Recon matching engine was critical in meeting this client's requirements, without resorting to a custom implementation.

Problem: Reporting

Solution: Smonik Reporting

The last challenge this particular client had was that they required a number of very specific recon summary reports to be developed. Smonik Reporting is built-in to the reconciliation platform. This allowed the Smonik team to quickly develop the custom reports the client specified. Not only can reports be developed within the Smonik platform, but they can be scheduled to be delivered straight from the Smonik platform, further automating the reconciliation process. Once the client completed the recon process, their reports would be generated then reviewed prior to being delivered to their counterparties and custodians. The client was very pleased that this functionality is built-in to the Smonik platform. They were able to fully leverage the system to further automate the reconciliation process.

TESTING

Once the data integration and matching rules were configured, Smonik Recon was run in parallel for three weeks to validate the system against their existing custom implementation and allow the users to become familiar with the system. Users were quickly able to validate the recon matching logic and were pleased with the improved automation the Smonik system provided over their existing system. The Smonik Recon engine was able to system match a far greater percentage of transactions than their existing system. Once users completed their testing, their existing system was simply turned off and the users moved exclusively to the Smonik Recon system.

SUMMARY

The Smonik platform was designed and developed by industry veterans to support any type of reconciliation needs — including those of a global, multi-asset class fixed-income hedge fund manager. The client was very pleased with the speed of implementation, the greatly improved functionality and

the value it provided to the organization. Outstanding breaks were easily identified and quantified. The system was able to be configured to meet their workflow needs and as a result the implementation was straightforward and completed on time and under budget.

The Smonik platform was able to fully meet the client's complex requirements. It was also able to completely automate their reconciliation process and workflows and therefore was able to add real value to their organization.