

Case Study

Gaining Business Agility through System Consolidation

Global Asset Manager Realizes 2-Year Payback from the Geneva® Investment Management Platform

PROFILE

Fischer Francis Trees & Watts is a large global asset manager with offices in New York, Singapore, London and Tokyo. Managing \$38 billion in institutional assets, the firm has been a leader in international fixed income investment management for over thirty years.

BUSINESS SITUATION

The decision to consolidate domestic and global portfolio accounting systems was driven by the need for accurate, real-time portfolio position data across the business, the need to reduce operational risk and costs, and the desire to improve business agility through the faster implementation of technology to support new investment products.

SOLUTION

In 2002, FFTW converted their entire business to Geneva, giving them a single multi-currency solution for both their domestic and global businesses, support for complex investment products, and an investment platform that provided unified data from the investment and general ledgers through client reporting and performance measurement.

RESULTS

- Realized a return on investment of 46%.
- Introduced new investment products without IT delays and costs.
- Reduced trade claims by a dramatic amount due to availability of accurate, real-time data.
- Transformed Operations to a strategic unit providing key resources to front office.

When progressive asset managers expand their investment product offerings, they often find that their systems and back-office operations are woefully inadequate. In order to support a broader range of complex investments, firms must often implement multiple specialized systems, with requisite higher costs for IT and Operations as well as increased risk. Addressing these challenges head-on, many of today's modern asset managers are now turning their attention to their core back office accounting platforms. This case study shows how the implementation of Advent Software's Geneva allowed a large, global asset manager to consolidate multiple systems, support new investment products, and significantly reduce operational risk and costs with a single, real-time investment management platform.

Prior to 2002, Fischer Francis Trees & Watts (FFTW) ran two portfolio accounting systems: one for their global business and another for their domestic business. This dual system environment created numerous reporting and operations challenges, especially for accounts that straddled both systems. After consolidating these systems on Geneva, they realized significant direct benefits from operational efficiency improvements and IT cost reductions and indirect benefits such as improved client relations, reduced time to implement new IT solutions, and improvements to front-office support. With Geneva, FFTW gained business agility. They increased revenues from expanded investment offerings and reduced staff and risk through a transformation of their operations.

"We needed a single system that could support our entire global business and give us the flexibility to easily introduce new investment products."

*Michael Wyne, Managing Director
Fischer Francis Trees & Watts*

Business Situation

Fischer Francis Trees & Watts is a \$38 billion global institutional asset manager with offices in New York, London, Tokyo, and Singapore. A client of Advent Software since 2002, the firm represents a typical large institutional asset manager, with complex, global investments. In 2002, client demands for new investment product offerings and greater transparency necessitated a change in their existing systems infrastructure.

Prior to 2002, FFTW ran two portfolio accounting platforms: one for their global business and another for their domestic business. This dual platform environment created numerous reporting and operations challenges, especially for accounts that straddled both platforms. Some of these key operational pains included:

- inefficiencies resulting from duplication of data and processes between the two systems
- complex reconciliations on portfolios that straddled both systems
- reporting constraints when attempting to report across both domestic and international accounts
- workarounds necessary to report on complex instruments—a growing part of the business

By 2002, FFTW operational staff had grown to thirty-six people, often with responsibilities broken down into very specific tasks. This functional separation of duties reduced overall knowledge sharing, created repetitive communication channels, and required complex processes to bridge multiple departments within the organization. “We knew that having two systems and manual data entry increased our risk and that we

needed to change. We had dealt with our systems’ deficiencies for a number of years, because we couldn’t find a single system that met our needs,” says Michael Wyne, Managing Director at FFTW.

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**Michael Wyne, Managing Director
Fischer Francis Trees & Watts**

The tipping point came when the managers began to invest in U.S. mortgage-backed securities in the global portfolios. The dual system approach became untenable. Finally, the domestic accounting platform vendor had ceased to provide software upgrades, creating application risk and requiring the firm to purchase the underlying code and hire a technical resource to maintain the system.

The firm had three choices—1) continue to hire more staff to build and support ancillary systems; 2) hire a staff of programmers to develop additional functionality for their existing systems; or 3) implement a new accounting system that would handle all the requirements for both the global and U.S. businesses.

Solution

Fischer Francis Trees & Watts recognized that the operational inefficiencies in their existing system infrastructure created business risk and directly impacted profits. Supporting new and increasingly complex securities while performing reconciliations between two accounting systems would only compound this problem over time. In 2002, FFTW decided to replace their two portfolio accounting systems with Geneva, because it met their critical requirements for the following:

- An integrated solution for both the domestic and global businesses
- Support for complex instruments, including Swaps
- Ability to settle in multiple currencies

- An environment that integrated data from the investment and general ledgers through to performance measurement

Geneva would help them address client expectations, reduce business risk, and eliminate operational inefficiencies.

“When a new person comes into the firm, it only takes about two hours of training before they’re up and running on Geneva.”

**Barbara Reda, Manager,
Security Operations
Fischer Francis Trees & Watts**

Results

With the completion of the Geneva implementation in 2004, FFTW realized significant benefits in operational efficiency improvements, improved client servicing, and reduced time to implement new IT solutions. Geneva provided numerous functional advantages including true multi-currency capabilities and derivatives processing. Furthermore, Geneva's real-time data model and unique, simplified error correction process eliminated the separation of duties and inefficient workflows inherent in systems that use a batch process to move data between the front, middle, and back office. The firm has real-time integration between their proprietary order management system and Geneva and the Operations and Accounting groups can work from a single set of accurate, real-time position and cash data. Key benefits were realized in improved profitability, reduced risk, and the repositioning of Operations as a strategic team within the organization.

Profitability

- Reduced staff: five planned new hires were eliminated.
- Integration and real-time architecture reduced time for portfolio entry activities, market event processes, performance measurement, reconciliation, and reporting with nearly a \$1 million savings over three years.
- Complex asset servicing capabilities improved business agility by enabling new investment vehicle offerings.

Lower Risk

- Real time reporting reduced data latency and attendant market risk. Trade claims, resulting from errors, were reduced by a dramatic amount.
- New security and audit features significantly reduced operational risks.

Positive Culture

- Operations staff are able to be more strategic, acting as a key resource to the front office, raising morale, and creating a career path for critical staff members

Improved Profitability

Consolidating operations under Geneva increased the firm's profitability in several ways. The largest direct savings was realized from increased efficiencies that resulted in staff repurposing and reductions. Five planned new hires were eliminated.

Geneva's real time architecture and its ability to interface with the front office system reduced the time devoted to portfolio entry activities, market event processes, performance measurement calculations, pricing and asset servicing, prime broker reconciliation, and client and management reporting, for a total cost savings of nearly \$1 million over three years.

Finally, FFTW improved their business agility through the faster implementation of technology required to support new, more complex investment products. "Shortly after we implemented Geneva, we began to trade swaps. Our foresight in choosing the right system meant that we were ready to take on the processing of a potentially challenging new instrument," explains Michael Wyne.

Reduced Risk

Geneva's unified data model with real-time reporting and single-step error correction process significantly reduced the data latency and attendant market risk that FFTW experienced with their dual systems. The firm now operates as a single entity instead of in functional silos. For example, claims from trade breaks, mainly caused by errors in manual data entry between multiple systems, were reduced by a significant amount, with some of those savings reallocated to incentive pay for the operations group. Moreover, FFTW was able to eliminate a major business risk of maintaining a legacy portfolio accounting system. By implementing Geneva, they enjoy the stability of Advent Software, with its broad base of clients and long-term commitment to the Geneva application.

Improved Culture

Previously, there was little opportunity for staff advancement. Operations spent most of their time checking and double checking work, so they were not able to invest time in understanding the overall organizational goals and in meeting the needs of the front office. With Geneva, the organizational structure of the operations group changed and the functional allocation of duties was eliminated. Now, the operations group is able to be more strategic, spending more time on reporting, analyzing critical information, and acting as a key resource to other groups. New hires are quickly trained, since Geneva is easy to learn and use.

Staff morale has improved and new hiring practices have attracted young, bright employees that are being groomed for new career paths. Staff compensation has also improved at no cost to the firm by compensating the bonus pool with the savings from the trade claims reductions.

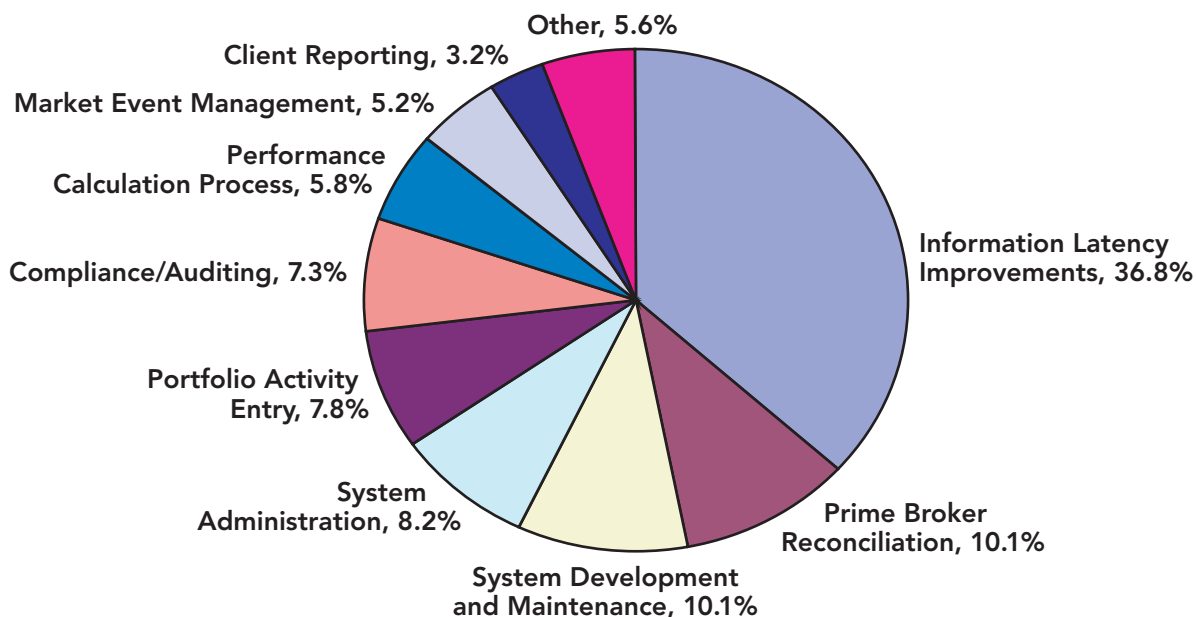
Summary

Three major reasons drove FFTW's decision to consolidate their two portfolio management and accounting systems in 2002. First, they had begun to merge their separate U.S. and offshore investment offerings into a more global strategy across many of their portfolios. Their existing systems could not support this change. Second, as a leading global fixed income investment firm, they were investing in more complex instruments and their systems weren't keeping pace with changes in the industry. As a result, they had developed numerous workarounds with consequential inefficiencies and costly staff growth. And finally, the lack of accurate, real-time position data increased their operational and trad-

ing risks. A system was needed that could integrate the U.S. and global businesses, support new investment products as they were introduced, and drive down operational risk and costs. With Geneva, FFTW's IT and Operations Groups can support the business as it evolves in order to continue to deliver the most competitive global fixed income investment services.

To find out how Geneva can help you gain control of your business, contact Advent Software at 212-659-4400.

Productivity Gains by Category



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