

FOCUS ON

TRANSPARENCY

Leo LaForce, of HedgeServ, talks to *HFMWeek* about the services on offer to help fund managers meet investor and regulatory requirements



Leo LaForce

is a managing director at HedgeServ, overseeing marketing and communications for the global fund administrator. HedgeServ currently services over \$130bn of assets under administration, supported by 425 professionals across five offices.

Q HFMWEEK (HFM): WHAT CRITICAL OPERATIONAL CHALLENGES WILL FUND MANAGERS FACE IN 2012?

A LEO LAFORCE (LL): In order to successfully meet the increasingly complex requirements of investors and regulators, fund managers will be required to simultaneously demonstrate transparency on two levels. First, reporting on their portfolio holdings and risk exposures. Second, providing investors with additional transparency into the operational processes behind their portfolio and risk calculations.

Emerging and seasoned fund managers alike now need an institutional-quality data management platform that provides them access to more critical information faster, while also providing investors with clarity on process controls and valuation methodologies. Fund managers will need to adopt operational and reporting capabilities that support an environment of 360° transparency. However, it is costly and complex for managers to build and maintain such infrastructure in-house.

Q HFM: HOW CAN HEDGESERV HELP FUND MANAGERS MEET THESE DUAL TRANSPARENCY REQUIREMENTS?

A LL: Traditional fund administrators are struggling to provide a solution for fund managers. Their technology platforms are typically comprised of legacy accounting or custody engines extended by disparate systems and spreadsheets, all concealed by an opaque reporting layer. This fragmented architecture requires administrators to cobble portfolio reporting together from multiple sources, resulting in operational risk and inefficiency for the fund manager. This is especially true if a fund manager trades OTC derivatives or other complex instruments such as bank debt.

HedgeServ has resolved these shortfalls by delivering managers one complete front-to-back system underpinned by a single database. HedgeServ shares an open platform with our clients. This means managers have full real-time views into the entire operational lifecycle of their trades – regardless of asset class – including daily reconciliation and valuation. Controls and reporting accuracy are significantly strengthened when the fund manager and administrator work closely together on a daily basis with a common set of tools and a shared data warehouse.

Q HFM: WHAT ARE THE BENEFITS OF AN OPEN AND SHARED ADMINISTRATION PLATFORM FOR FUND

MANAGERS IN MEETING INVESTOR AND REGULATORY REPORTING REQUIREMENTS?

A LL: The HedgeServ platform is designed with a logical front-office starting point and from the perspective of the fund manager. The platform includes a powerful portfolio management and risk engine seamlessly integrated with the general ledger. Positions, cash and accruals all reside within a single system. This approach enables fund managers to have real-time access to a rich data set, which is independently verified, priced and reconciled to the NAV of the fund.

The HedgeServ platform provides fund managers with both real-time and historical reporting on their positions, exposures and liquidity. From a single screen,

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LEO LAFORCE, OF HEDGESERV

managers can slice and dice their portfolio by any attribute, and drill down to the most granular details of all underlying positions, trades and market data.

Fund managers also have access to a comprehensive set of risk and compliance analytics, including Greeks, VaR, and the ability to create manager-defined portfolio stress testing and scenario analysis.

Fund managers can use this comprehensive, centralized database to share consistent information across their various internal functions as well as with external counterparties. The HedgeServ platform also features dynamic reporting modules, which facilitate data exports in customised templates to help support their business, investor, and regulatory reporting requirements in an automated and controlled manner.

Q HFM: HOW IS THE NEED FOR OPERATIONAL TRANSPARENCY IMPACTING INDUSTRY BEST PRACTICES?

A LL: There is growing sentiment within the industry that fund managers no longer need to fully shadow administrators that operate on a shared and open technology platform. If an administrator's technology is designed to accurately reflect what is truly happening in the lifecycle of a trade, then the fund manager can open up their workflows in a way that creates a more efficient partnership with fund managers while inspiring greater confidence in investors. ■