



5 (+) Year Corporate Press Review

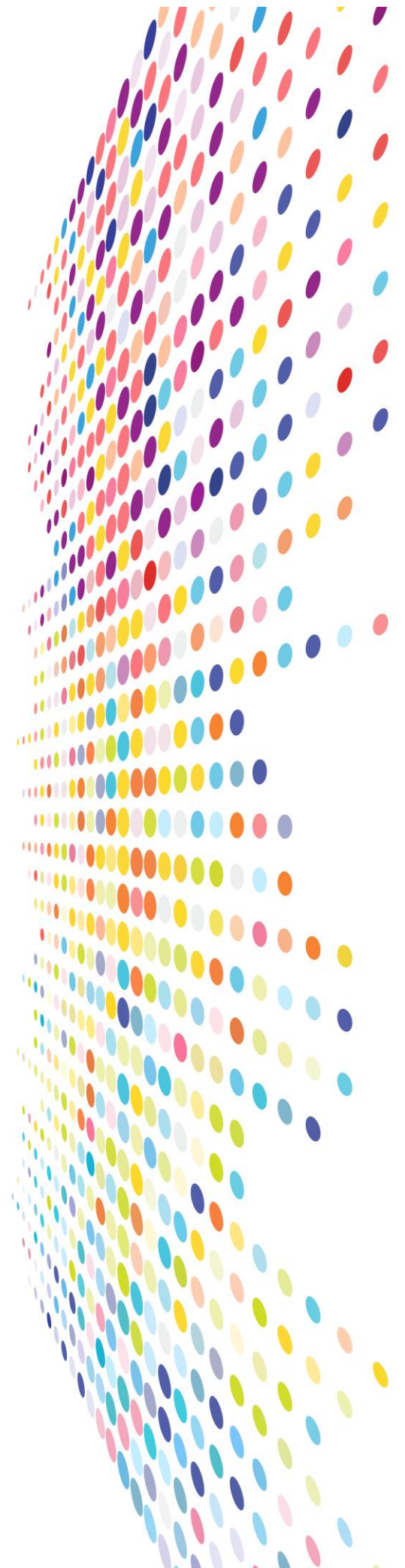


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Global Custodian Magazine: Netik Corporate Profile

featured IT vendor

Detangling The Web

Netik InterView's data hub technology implements cutting-edge technology to make asset management data more easy to use



AN OLD SAYING says that it is not wise to put all of your eggs in one basket.

But Netik InterView is proving that the old logic may have some big problems in today's financial landscape, especially when consolidating data is becoming increasingly necessary among asset managers to remain competitive.

Born two years prior to the implosion of Synergo and Terence Chapman Associates, Netik is a data management company that is shaking things up in asset management, hedge fund management, prime brokerage and offshore fund administration. The company has spent the past 10 years developing a two-pronged approach to data management that seeks to streamline how institutional asset managers access and store market data.

The first of the company's efforts to detangle asset managers' data reservoirs is via Netik InterView as a fully scalable data warehouse designed to glean necessary pieces of data from the snarl of information managers routinely receive and store it for future reference.

"You're not replicating every piece of information in the underlying system. You're only replicating the relevant information, which is really defined by Netik InterView's financial services data model that the client configures for their data needs," says Netik Managing Director Keith Hale. "Part of what we provide is a methodology structure that outlines the type of data we expect to store and how to go about extracting the data once it is stored."

But putting information from multiple systems together in one location creates the inevitable problem of how to interface each piece of data so that it can be used efficiently by Netik's clients. To resolve this issue, the clients also leverage Netik InterView as a data hub platform that allows bits of data to interface with one another. The strategy has been so successful that Netik has dropped some of its former services, such as its SWIFT gateway device TurboSWIFT, to devote itself to data management services. This may include using Netik's SWIFT "adapter" with any SWIFT gateway. But the company's technology has inspired unexpected competitors.

"Our biggest competitor is people trying to do it themselves, trying to build a data warehouse. Often people build a data warehousing or data hub-type technology without even realizing they're doing it. They go in looking for a way to manage their data and come up with a whole new series of problems. A lot of people do wind up getting fired for trying to build their own data warehousing systems themselves because these products are renowned for not being successful," Hale says. "So we're giving asset managers a massive leg up because we have that complete data structure that does cover all the attributes they could possibly ever need. That's the advantage."

And while Netik's primary customers are managers with more than \$1 billion in assets under management (because they need the ability to streamline unwieldy information from multiple prime brokers

and other third-party providers), Hale says more customers are taking notice as a result of Netik's ability to cover a wide array of assets.

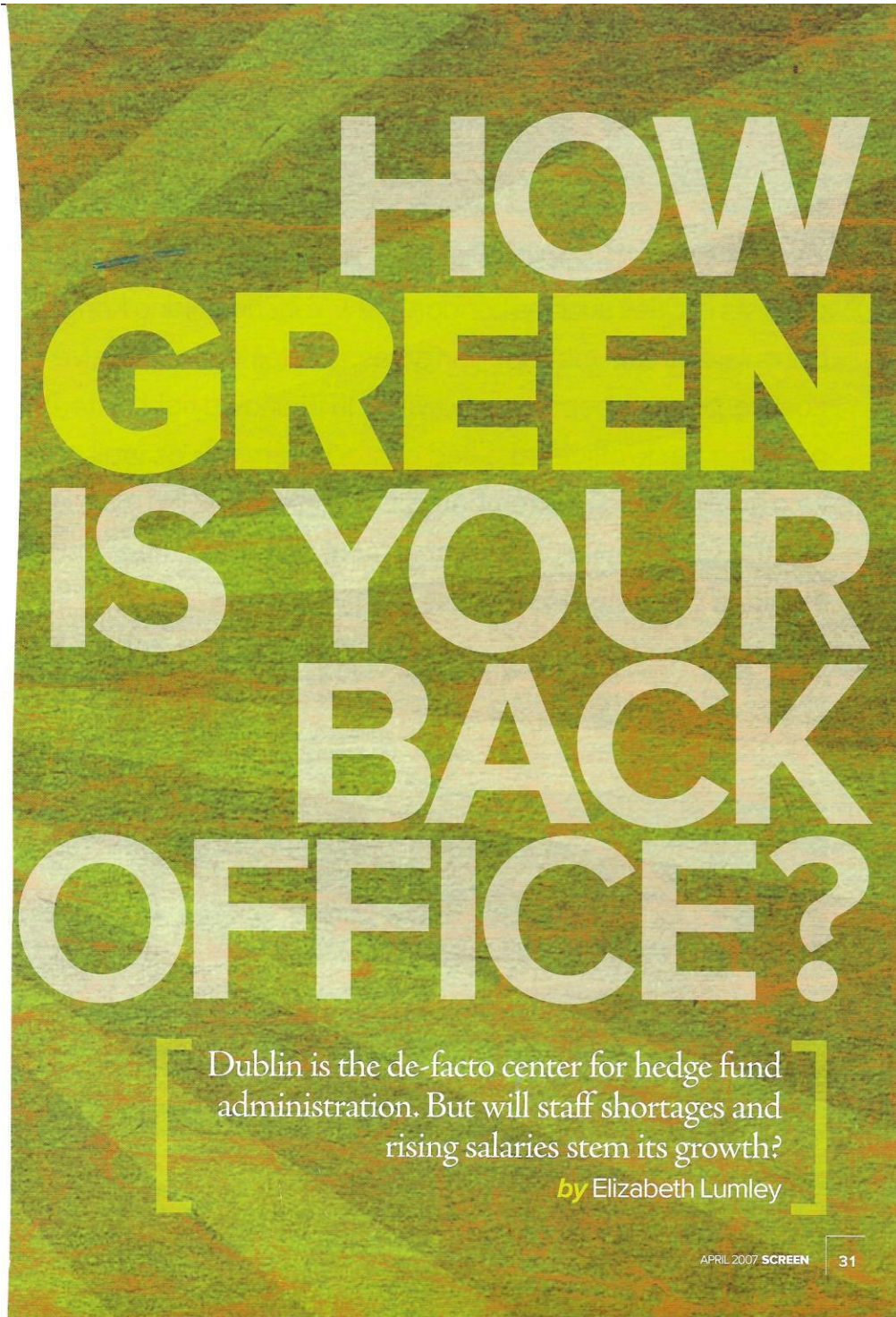
"More recently the prime brokers and the offshore fund administrators have extensively invested in data warehousing technology. We partner with Advent Software and their Geneva product and have a strategic relationship with them that we support and maintain for seven joint clients now. But as we get more and more customers they have comfort because they know we can handle a wide range of assets," Hale says.

Hale says Netik is poised to further expand its impact in the world of asset management. And with the introduction of Netik InterView Release 8, the company's technology seems ready for the challenge.

"We only have one product, but it's how you leverage it," he says. "That's really why we're growing rapidly in that area and yes, we're starting to see some of the challenges that come with the alternative investment area. Challenges that particularly affect our customers as they receive pressure from pensions and other institutional investors that encourages investment more and more in alternative strategies and hedge funds, particularly funds of hedge funds."

But despite the challenges facing the company, Hale maintains that Netik's simple yet effective approach to data management will continue to attract customers and to aid in making sense of the complex information they receive. —*rm/jeff Jeffrey*

Spring 2007 30 ILLUSTRATION BY BOB STAAKE



A list of the world's major financial centers usually consists of cities such as London, New York and Hong Kong. But outside these metropolitan areas, smaller, less expensive cost centers are becoming powerful in their own right. Often handling back-office trust and custody services as well as fund administration, Luxembourg, Dublin, the Channel Islands and the Caribbean are becoming more and more important, thanks in part to tax incentives.

Of these, some would argue that none has experienced more substantial growth than Dublin. Since the establishment of the International Financial Services Centre in Dublin in the late 1980s, Dublin has become a major hub for funds administration, especially for alternative investments.

Why has Dublin been so successful? "There is no single factor that

seems to be immune to the downsizing and redundancies across the region. The Financial Services Ireland industry body predicts that the financial sector growth in Ireland will increase by 75 percent by 2020. It has already grown by 50 percent over the past eight years, according to the FSI. In fact, Wright predicts that approximately 20 percent of the Dublin financial sector's staff growth will be in IT.



you can point a finger at," says Bronwyn Wright, director and European head of fiduciary services at Citigroup. "It is multiple factors. A major factor is the corporation tax, which now stands at 12.5 percent, but it is not the sole contributing factor." Location in a strategic time zone, an extremely skilled labor force that speaks multiple languages, and a high quality of living have all been mentioned as reasons for Dublin's renaissance. The ready adoption of technology to further automate funds administration functions is another reason, she says.

"Anyone who is anyone in fund administration works in Dublin," says Kevin Magee, chief technology officer at Daiwa Securities Global Asset Services, based, of course, in the capital city of the Irish Republic. Magee's optimism appears to be backed up by statistics. Ireland

FEELING GREEN

HOWEVER, DUBLIN'S GROWTH OVER THE past decade is not without some problems. Property prices and salary levels have risen to rival those of its financial neighbor London and back-office predecessor Luxembourg, which is eroding the Emerald Isle's appeal as a low-cost center. These issues, combined with high levels of staff turnover, have caused some firms to relocate or at least open second or third offices in other parts of Ireland such as County Cork and Wexford.

Colin Close, chief information officer at Netik, which recently sold a data platform to Daiwa (see story, page 34), says the high growth rate, especially among hedge funds, is creating challenges. Netik clients HSBC, Daiwa GAS and investment management outsourcer PFPC

A BACK-OFFICE CENTER IS BORN

While Irish firms now manage back-office functions for a significant slice of the global hedge fund industry, this wasn't always the case. A number of political and economic factors paved the way forward.

The Industry Development Agency, otherwise known as IDA Ireland, estimates that in Dublin approximately 3,000 people in 39 companies now service 37 percent of the total global industry. However, officials at Citigroup estimate that figure to be closer to 75 percent of the industry.

The road to glory began with the establishment of the International Financial Services Centre in Dublin in the late 1980s by the former Irish Prime Minister Charles Haughey. The IFSC is credited by some as kick-starting the Irish economy, which had been belea-

guered by unemployment in the 1970s and 1980s. Coinciding with the inauguration of the IFSC, the European Union passed legislation that allowed firms to market and sell funds globally that were domiciled in Ireland, which valued those assets and held them in trust and in custody.

Losing little time, Ireland adopted the EU legislation in 1989, says Bronwyn Wright, director and European head of fiduciary services at Citigroup. What that meant was funds could be established in Ireland, regulated locally but sold globally, Wright says.

In addition, banks could establish a back office in Dublin while leaving the management and the promotional activity to staffs located in larger centers like London and New York.

The governmental actions had a profound effect on employment in

Ireland and especially Dublin. Prime Minister Haughey also introduced "minimum activities," says Wright. This meant that if you set up an Irish-regulated fund, "you needed the people who were valuing your fund to be employed in Ireland," she says.

In addition, all the lawyers and accountants—as well as some consultants—supporting the fund business "also needed to be domiciled in Ireland," she adds. "What that resulted in was employment being generated in Ireland and foreign multinationals being domiciled in Ireland," says Wright.

Colin Close, chief information officer at Netik, a data management supplier to many funds administration businesses, says that Dublin's growth as a financial center was swift. "The response from the various service providers was pretty prompt, such as organizations like Chase Manhattan [now JPMorgan-Chase], where I was working at the time," says Close.

"Now, anybody who is anybody trying to compete in administration—latterly with alternative investments—must have a presence in the IFSC."

Citigroup, too, quickly got behind the move to funds administration. The firm has been in Ireland for 42 years, starting with a retail branch. However, in the economic climate of the late 1970s, the bank sold its retail operations to the Bank of Ireland and decided to focus on the commercial side of the business, Wright says. With the establishment of the IFSC in the late 1980s, Citigroup moved its funds back office to Dublin. The past three years has seen Citigroup's business grow from \$200 billion to \$1.3 trillion.

But Citi is beaten by Daiwa Securities Global Asset Services, which got on the bandwagon in 1990 and is the longest established hedge fund administrator in Dublin, according to IDA Ireland. The Daiwa branch handles assets under management of \$38 billion. —Elizabeth Lumley

have all enhanced their capability to manage the complexities of alternative investments. Each has experienced "the challenges of accommodating that growth, in terms of scale, operations and being efficient in the face of all that complexity," he adds.

In fact, while Close notes that most observers cite Dublin's educated work force as the reason for its dominance in hedge funds, that asset is also creating problems.

"With the growth, there is now a very real labor shortage," Close says. In the early to middle years of Dublin's rebirth, the pool of labor was "very trainable" and was satisfied with salaries lower than other locales. These were "critical factors" in Dublin's growth, he says.

Today, the shortage has led to whole teams being poached by competitive companies, says Close. "This tends to happen in a sort of closed community," he says. "Everyone is talking to each other, and everyone knows each other in the same way that investment bank teams can be poached—UBS to Credit Suisse for example," he says. "There has been

a bit of that happening on the ground recently."

Close believes the skills shortage will get worse before it gets better. "The cost dynamics will change because people will become much more expensive," he says. "The incentive to put even more technology in to automate will be a huge incentive."

Even Magee says that many firms in Dublin have frequently seen their fund administration teams and individual employees recruited by rival firms. "There is a real culture here, where everyone knows each other and poaching staff is rife," Magee says.

Wright says that Citigroup has a number of strategies to cope with the staffing problems. "We are not going to say we are not affected by it," she says. "Like any organization, we are. But it is something we are comfortable with and we are managing it."

For example, Citigroup has a low attrition rate, Wright says, because it operates a larger business in Dublin, which provides employees with job opportunities outside of the funds business. Citigroup in

DAIWA GETS A DATA WAREHOUSE

Daiwa Securities Global Asset Services recently installed the InterView data warehouse platform from New York-based Netik for client data management and reporting, bank officials tell *SCREEN*. The InterView system replaces a five-year-old internally developed system.

The Netik installation is

part of a move at Daiwa GAS to further automate its fund administration technology and grow its hedge fund business, say bank officials.

Toward that end, the firm has moved its IT support and development teams from London to Dublin, bank officials report. The bank is also reviewing its overall infrastructure and telecommunications systems, says

Kevin Magee, chief technology officer at the Dublin-based Daiwa Securities GAS. The deployment did not lead to Daiwa GAS replacing its core fund administration system, which is Global Investment System's MFact system, Magee says.

"We are really looking at the role of data in our business and how to create a publishing and reporting system for our clients," Magee says. By eliminating a lot of the manual processes in fund administration, the new Netik data warehouse will free up Daiwa GAS staff to focus on the firm's core busi-

nesses. "The old system was just a waste of resources," he says.

In terms of hedge funds, there are two types of operations, says Colin Close, chief information officer at Netik. Daiwa GAS was looking for a platform that would allow it to deliver customized services to its clients, such as accommodating special trading and valuation strategies as well as specialized pricing. "Hedge funds like to hear that because it looks like their administrator is bending over backwards on their behalf," Close says.

—Elizabeth Lumley



Dublin has "at least 10 to 12 discrete businesses here—of which one is funds." They encompass Worldlink, export letters of credit, electronic funds transfer, treasury, agency treasury solutions, and deposits, says Wright. "We provide more opportunities for staff."

The banking group has also introduced a Certificate in Financial Services. Citigroup employees can use this certificate to obtain a degree and further their careers, she says. The program was initiated in Dublin and currently is being rolled out throughout Citigroup's European offices.

On a similar note, a key factor that may keep Dublin an attractive venue for funds administration is greater leeway on the job.

Because of its importance as a hedge fund center, operations in Dublin have been given a large amount of independence, says Netik's Close. This is unusual for an offshore center. Dublin-based branches have a lot of independent buying capability compared to other far-flung sites, says Close.

Fund managers send teams to Dublin to set up efficient operations that will easily scale with the business. "This allows the ops guys a certain amount of power to establish an office," he says. As the preferred location for fund administration expertise, "if you want to provide off-shore fund administration you have to have a presence in Dublin," Close says.

Not surprisingly, Netik is not averse to this culture, because "essentially, it is possible to go in there and sell to the governance crew and not get diverted by other influences from head offices outside," Close says.

RELOCATION, RELOCATION, RELOCATION

WITH THE SKILLS SHORTAGE AND cost of living problems looming, some of Citigroup's competitors in the funds space have moved from Dublin to Kilkenny, Galway, and Wexford. However, Wright stresses that Citigroup will keep its funds administration business exclusively located in Dublin.

That doesn't mean that Citigroup won't be expanding its other businesses throughout the region. Citigroup has opened up a technology center in Belfast in Northern Ireland. "We currently employ 250 people, and we will be expanding that to 500 by year end," she says. The Belfast office supports the infrastructure development of Citigroup's capital markets back office.

Citigroup's Dublin offices house just under 1,400 staff, says Wright. "If you combine the 1,400 with the 250 and the expansion to 500 before year-end, you are looking at under 2,000 people employed by

next in line to be automated.

But the most visible role for technology is seen in the need for firms to supply Net Asset Value-per-unit pricing on a daily basis. Most funds are now daily valued, and clients want to see their NAV-per-unit price the same day, Wright says. That price may have to be distributed to multiple investors within minutes of being published.

Citigroup has clients that frequently want a NAV price timed for 2:00 pm that has to be delivered in 180 minutes and covers 22 sub-funds, Wright says. The banking group takes a snapshot of all the markets around the world at 2:00 pm, prices all the securities, values all the additional instruments that have to be in that fund, values the total fund, and sends it out to as many people as needed within that 180-minute time frame, she says. "You can only do that with your people and your systems. You have to make sure your systems are kept up to date," says Wright.

Citigroup also runs client interfaces through its CitiDirect for Funds and CitiDirect for Securities products. "They are very successful engines in terms of client access for their data," says Wright. "People can also access their NAV via ... the portals we have," she says. This also gives Citigroup staff time to devote to more profitable funds administration functions.

"Anyone who is anyone in fund administration works in Dublin."

Kevin Magee, CTO at Daiwa Securities Global Asset Services

Citigroup in Ireland," she adds. A group-wide statement says that Citigroup's Ireland operations are largely immune to the latest restructuring at the bank, which was announced this month.

Not to be outdone, Daiwa recently opened a second Irish hedge fund administration office in Dundalk, County Louth.

NAV NOW!

DUBLIN'S PROMINENCE AS THE BACK office of Europe requires more than just skilled staff, says Wright. Technology needs to keep pace with the sophistication of the financial products.

"People are always required in service, particularly in the funds and the finance area," Wright says. The demand for technological innovation stretches across Citigroup's products as well as those of the government regulators and clients, she adds.

Historically, the funds business has been a very manual environment, says Wright. Much of the business was run via faxes that confirmed which assets clients want to buy. "That is all automated via Swift now. When a communication comes into a financial institution, it is automatically routed between our custody and our cash systems," she says.

Clearing, settlement and position management as well as recording, valuing and reporting on assets in portfolios are all shifting from manual processes to automated ones. Client services, reconciliations, trade capture and verification, documentation, delivery, purchase and sales of shares, equalization, margin and collateral management are

From an alternative investment perspective, Dublin has established itself as a center "that can cut NAV very quickly, and its people are extremely skilled," Wright says. The eagerness to automate many of the fund administration functions has also helped that image, she adds.

Citigroup put its technology money where its mouth is two years ago, when it became the first financial institution to open a research and development center with a government grant from the Industry Development Agency. "Normally it would have gone to a technology company," Wright says. In addition, Citigroup established the Global Processing Center in Dublin in 1996 to support the global transaction service and Citiservice branch network in Europe.

With its technology and sophisticated workforce, could it be that Dublin has triumphed over Luxembourg, its nearest competitor in the funds administration world? Although Luxembourg is a more established back-office financial center, many consider Dublin to be a serious rival. And many also agree with Close that the culture in Luxembourg does not have the same buzz as Dublin and may have suffered because of it.

Even so, Luxembourg may serve as a lesson for Dubliners. Once the back office center of choice, Luxembourg is no longer the cheaper and younger place to do business. However, Dublin's inevitable maturity as a financial center may coincide with a slight downturn in growth. But that may be hard to imagine while hedge funds remain happier to sun themselves on the banks of the River Liffey than on the cobbled streets of Luxembourg. ■

Global Investment Technology: Daiwa Customer & Netik Data Model Plus

DATA MANAGEMENT

Netik InterView enables Daiwa to tackle its immediate data challenges, and set the stage for further improvement of its administrative services.

InterView is a securities data model encompassing other Netik solutions — namely, Asset Manager, Prime Broker and Fund Administrator.

Daiwa Leaps Its Data Hurdles With Netik InterView

NEW YORK — At Daiwa Securities Global Asset Services, a fund administration services provider re-positioning to focus on alternative investments, particularly hedge funds, data issues were the bump in the road. They slowed down the development of strategic systems, as well as creation of value-added services to support the business.

The proliferation of new asset classes and financial instruments traded by clients resulted in a deluge of data and a multiplicity of formats. Daiwa could not demand that investors put their securities data in only one format, so it needed a flexible way to work.

“We take information from a lot of different sources — from the fund managers themselves and a multitude of pricing sources, including prime brokers,” says Kevin Magee, Chief Technology Officer, at Daiwa Securities GAS, a unit of Tokyo-based Daiwa Securities Group, Inc. “We have to [use] that data and come with valuation information on all the funds and all the other reporting information. Our business model is not to go for a more unified platform and say, ‘This is how we do business, take it or leave it.’ We want it to be very bespoke to our customers. We look at it as a partnership.”

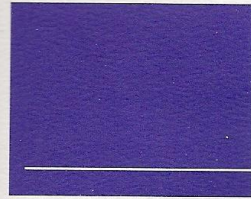
Daiwa turned to Netik InterView, a securities data model encompassing other plug-and-play Netik solutions — such as, Asset Manager, Prime Broker and Fund Administrator — that process all securities data throughout a firm’s operations. With InterView, Daiwa could wire in systems from all its business lines, its in-house systems and all its reporting capabilities, says Magee. “Our need [was] to increase operational efficiency and enable the rapid scaling of our

business,” says Brian Guyett, Chief Operating Officer at Daiwa Securities GAS. “We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent, consolidated reporting.”

Netik InterView’s wide asset class coverage made it possible for Daiwa to customize the system for its reconciliation needs. “Instead of having to take the product as it was, we added a layer to the core matching engine specific to our reconciliation requirements,” says Magee. “The benefit is the ability to automate transactions. We didn’t want to keep throwing people at the reconciliation problem as other administrators have done.”

Although Daiwa administers funds of hedge funds, it may not necessarily administer every fund feeding into those, adds Magee, so “sometimes there is a delay in getting information from different parties,” he continues. “We use the reconciliation engine to do that. It makes us much more efficient, which in turn makes us much more scalable and more profitable.”

Netik InterView, now in version 7.11, is broad enough to handle numerous roles within the investment value chain, according to Colin Close, Chief Information Officer of Netik. These roles include money managers and investment managers for institutional firms, hedge funds, wealth management firms or companies serving the managers themselves, as well as custodians and fund administrators. In March, Netik launched Netik Data Model Plus, an investment data model solution for large money managers and investor services companies. The new product uses the same data model and open interface used by the Netik InterView data warehouse solution.



Its data portal includes the ability to do three-way complex reconciliation between hedge funds, prime brokers and fund administrators.

With InterView in place, Daiwa can also take single-event feeds from reference data vendors and feed those throughout the firm automatically.

The ways different types of firms implement InterView vary in configurations of tools, how they acquire and manage data, and mine data to flow back into reporting, according to Close. "What distinguishes in implementation from one to the other is how it's all set up and configured, and what it's integrated to in the back end," he says. "We layer specific solutions on top of ways it's pre-configured to serve the various segments."

Each successive version of InterView has increased the capabilities of its processing and reconciliation engines, according to Close. "[InterView 7.11] is more capable of multi-way reconciliation needed in complex prime brokerage situations where they're reconciling their own local book of business to the hedge fund positions and the fund administrator positions," he says. "Our data portal includes the ability to do three-way complex reconciliation, managing the breaks and the process around fixing the breaks."

Keeping up with all the strategies and types of transactions that hedge funds pursue is a challenge Netik addresses, explains Close. "Our market is the prime brokers and specialist fund administrators for alternative investments," he says. "To develop our data models and describe these instruments, we have to keep the huge complex workflow under control." Netik InterView compensates for the weaknesses of firms' in-house accounting engines, he adds.

Daiwa had not used any Netik product before, and had found that its existing systems were inadequate for the business it needed to pursue. "They came up with a new blueprint to scale their operation with efficiency and put in architecture based around the data warehouse that would improve the transaction processing and reporting, to be more flexible and

create value-added reporting services for their clients," says Close.

With InterView in place, Daiwa can now also take the single-event feeds it receives from reference data vendors and feed them throughout the firm automatically. As a result, Daiwa could move in-house IT resources to other functions.

"Now I have this platform, I can not only do all my reporting out of it, but also build other applications for us and our clients," says Magee. "I view it as a platform not just a product. That's hugely important for us, as well as not having to always re-invent the wheel. Our plan is to expand our business and add all sorts of capabilities and strategies, which means I won't just be wiring up to the systems I have today, I'll be adding in new systems. I need something efficient that allows me to bring those in."

Daiwa has fixed operating costs with some of its clients because many of them negotiated pricing with Daiwa many years ago, explains Magee. "With the regulatory load coming in now, we're not getting rewarded anymore, but we have to take it on," he says. "The more efficient we are in our internal operations, the better it is for us. The Netik platform allows us to be much more efficient."

Fund managers and investors are asking for more information at faster speeds, in a manner allowing for slicing and dicing, and report distributions via e-mail. Daiwa will soon address this challenge using Netik InterView as well, according to Magee. Daiwa also plans to use Netik's Enterprise Reporting product in future technology enhancement plans. Besides addressing its immediate data challenges, Daiwa is set for further improvement of its administrative services. □

EUBankers: Netik-Daiwa Customer

Daiwa goes live with Netik InterView

10/01/2007 by: Press Release

Netik and Daiwa Securities Global Asset Services have announced the production roll-out of Netik InterView™, the data warehouse platform for data management and reporting.

"Daiwa Securities GAS signed Netik because of our need to increase operational efficiency and enable the rapid scaling of our business. We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent consolidated reporting. Netik InterView was selected to replace our internal data management tools and an in-house built data warehouse for client reporting. The implementation of Netik InterView is part of an on-going process of upgrading Daiwa's technology infrastructure to meet the increasing and ever demanding needs of Daiwa's hedge fund clients," commented Brian Guyett, Chief Operating Officer at Daiwa Securities GAS.

"We had previously developed separate internal data management and reporting capabilities, these systems supported the huge business growth achieved by the company to this point but would not be suitable to support our projected business growth. We reviewed the market and quickly established that Netik InterView's wide asset class coverage, combined with Netik's proven implementation methodology made the selection process straight forward," commented Kevin Magee, Chief Technology Officer at Daiwa Securities GAS. "We are very pleased with the results. We have contained and isolated our legacy components and integrated our key processing systems. In addition, we have been able to build a more robust automated reconciliation process between multiple prime brokers and our fund accounting system. The platform now gives us the opportunity to provide market leading reporting to our clients using Netik's flexible portal technology, which is our current area of focus."

Colin Close, Chief Information Officer at Netik commented, "We were delighted to welcome Daiwa to the Netik 'family'. It is good to see that Daiwa are using Netik InterView to enhance their existing processes using our data management technology. They also collect data for client reporting as part of the on-going daily processes rather than after the event. We are also pleased that Daiwa have become largely self sufficient in rolling out their new found functionality using a small team of their own resources, rather than relying on an army of consultants. This highlights Netik's on-going commitment to demystify and simplify data management and reporting projects to enable our clients to deliver real business value and return on their investment."

Published on The Trade News (<http://www.thetradenews.com>)

Finextra: Netik-Daiwa Customer

Daiwa Securities rolls out Netik data warehouse platform in Dublin

Netik, the leading vendor for financial data warehousing and Daiwa Securities Global Asset Services ("Gas"), the longest established hedge fund administrator based in Dublin, a division of Daiwa Securities Group, Tokyo, have announced the production roll-out of Netik InterView, the data warehouse platform for data management and reporting.

"Daiwa Securities Gas signed Netik because of our need to increase operational efficiency and enable the rapid scaling of our business. We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent consolidated reporting. Netik InterView was selected to replace our internal data management tools and an in-house built data warehouse for client reporting. The implementation of Netik InterView is part of an on-going process of upgrading Daiwa's technology infrastructure to meet the increasing and ever demanding needs of Daiwa's hedge fund clients," commented Brian Guyett, Chief Operating Officer at Daiwa Securities Gas.

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commitment to demystify and simplify data management and reporting projects to enable our clients to deliver real business value and return on their investment."

The Trade News: Netik-Thomson Alliance

Netik InterView and Thomson PORTIA join forces to provide investment accounting and data warehouse solution

Created 2007-05-16 08:25

Netik, the financial data warehouse and data hub company for the securities and investment markets, and Thomson Financial, an operating unit of The Thomson Corporation and software provider to the financial services industry, yesterday announced a strategic alliance that integrates Thomson's PORTIA and Netik's InterView solutions.

Netik and Thomson have jointly invested in an adapter, available 'off-the-shelf', to combine the two products and leverage the strengths of both Thomson PORTIA and Netik InterView. The new PORTIA/Netik Adapter will be licensed to users by either Thomson Financial or Netik and will be maintained by both companies as a guaranteed interface across several releases.

The integration of PORTIA and Netik InterView enhances the delivery of portfolio accounting information to both a firm's internal consumers and externally to clients. For PORTIA users, this enhances the firms' data management capabilities while providing another option for enhanced reporting presentation via Netik Interview.

Formerly limited to a single vendor for an integrated data warehouse and investment accounting solution, the asset management market will now have access to the depth and breadth of functionality that PORTIA and Netik InterView can jointly supply.

"Thomson PORTIA has delivered accounting and transaction processing to the market for the past two decades," says Christy Roux Bremner, global managing director, Thomson PORTIA, Thomson Financial. "Now, with flexibility in reporting provided by Netik InterView, new prospects and existing customers will have a viable alternative to in-house builds of data marts. The PORTIA/Netik combination can provide a higher

degree of sophistication with ready-made and off-the-shelf to support enterprise reporting and data storage."

John Wise, CEO, Netik adds, "Thomson PORTIA already has acclaimed excellence in accounting. Combined with Netik InterView, it can provide excellence in all aspects of reporting and data management for money owners and money managers. Traditionally, various aspects of reporting and data management have been partially resolved by many silo systems hanging off the accounting engine. In a matter of months, issues of poor data quality, data latency and data management are a thing of the past with the Netik InterView and PORTIA guaranteed adapter."

Wise continues, "Netik has already signed the first customer who will have the Thomson PORTIA and Netik InterView combination solution."

"Netik's solution truly complements the functionality of PORTIA, and together we'll provide the industry with a truly unique and highly capable solution. Netik has very strong domain knowledge and a very good success rate in the industry. We're pleased to be able to work with Netik for the benefit of our mutual clients," adds Bremner.

Bobsguide: Netik-Daiwa Customer Case Study

Daiwa Goes Live with Netik InterView for strategy to increase Assets Under Administration in the Hedge Funds Arena

New York and London - 9 January 2007

Netik LLC, the leading vendor for financial data warehousing and Daiwa Securities Global Asset Services ("GAS"), the longest established hedge fund administrator based in Dublin, a division of Daiwa Securities Group Inc, Tokyo, have announced the production roll-out of Netik InterView™, the data warehouse platform for data management and reporting.

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Global Custodian: Netik-Daiwa Customer Case Study

Posted: 10 Jan 2007

Netik And Daiwa Securities GAS To Start Production Roll-Out Of Data Platform

Netik LLC, the financial data warehousing vendor and Daiwa Securities Global Asset Services (GAS), the longest established hedge fund administrator based in Dublin, will be starting a production roll-out of Netik InterView™, the data warehouse platform for data management and reporting.

"Daiwa Securities GAS signed Netik because of our need to increase operational efficiency and enable the rapid scaling of our business," says Brian Guyett, the Chief Operating Officer at Daiwa Securities GAS. "We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent consolidated reporting. Netik InterView was selected to replace our internal data management tools and an in-house built data warehouse for client reporting. The

implementation of Netik InterView is part of an on-going process of upgrading Daiwa's technology infrastructure to meet the increasing and ever demanding needs of Daiwa's hedge fund clients."

Securities Industry News: Netik-Thomson Alliance

Thomson's Portia Is Linked to Netik Data Warehouse

By Chris Kentouris

May 14, 2007 - Financial data warehouse provider Netik has teamed up with Thomson Financial to integrate Thomson's buy-side Portia technology with Netik's InterView in an "off the shelf" manner. The combined offering, Portia-Netik Adapter, allows fund managers to get around the time-consuming and costly task of creating their own application programming interfaces (APIs) and data models to effect the linkage on their own.

Although fund managers often use the Thomson portfolio accounting system with an array of other data management providers such as Eagle Investment Systems and Asset Control, the deal with Netik is Thomson's first prepackaged link to a data warehouse. It is Netik's second such agreement: In 2003 it connected InterView to San Francisco-based Advent Software's Geneva, which is a fund accounting system for hedge funds, prime brokers and administrators--also Netik's largest customer base. The InterView-Portia alliance is focused on the asset management community.

Data management analysts say that the deal with Thomson puts Netik, which is 51 percent owned by Bank of New York Co., on a level competitive playing field against Eagle, a subsidiary of Mellon Financial Corp. that offers both data warehouse and accounting platforms. Netik says it has signed the first customer for the "combination solution," though it did not disclose its identity.

Thomson Financial and Netik "were working on a joint client project together and ultimately made the decision that there was sufficient market interest for us to leverage our efforts to other customers," says Christy Roux Bremner, global managing director for Thomson Portia. "Now, with flexibility in reporting provided by Netik InterView, new prospects and existing customers will have a viable alternative to in-house builds of data marts. The Portia-Netik combination can provide a higher degree of sophistication, ready-made and off-the-shelf, to support enterprise reporting and data storage."

In March, Thomson Portia announced the release of Thomson Portia Workspace, which allows users of Thomson Portia based on the Microsoft .Net Web services framework to create custom workflows. "By supporting

user-driven navigation and the automation of workflows, we've eliminated many steps, allowing asset managers to achieve optimal efficiency and dramatically reduce operations risk or the risk of human error," says Bremner.

Officials at Netik, which has about 40 traditional fund and hedge fund managers as well as fund administration clients using InterView, say they have invested about \$75 million over 15 years to develop and upgrade its data warehouse platform. Companies designing their own warehouses are sometimes unsuccessful in creating their own data model--the underlying data engineering--to ensure the high performance and scalability necessary to handle large quantities of data while users mine the database for information to generate reports.

"It can take many months for a fund manager to build its own APIs and data marts to link with an accounting system such as Portia, whereas the installation of the new combined InterView with Portia can take several weeks," says Colin Close, Netik's chief information officer.

Portia-Netik Adapter will be licensed to users by either Thomson Financial or Netik and will be maintained by both companies as a guaranteed interface. Portia has about 300 clients worldwide, the majority in the U.S. and Asia.

According to Bremner, the combined offering benefits firms that are already using Netik's InterView and are replacing their investment accounting platform or are using Portia but must either build or license a data warehouse. The vast majority of fund managers rely on homegrown data warehouses, says Bremner.

Close says that beyond the ease of implementation of a combined data warehouse and accounting system, an additional benefit for fund managers is the ability to seamlessly integrate data from their order management systems into their accounting platforms. As a data hub, InterView not only aggregates data from multiple applications into a single repository for client reporting in real time, but also allows for data from those applications to link to each other.

WebWire: Netik-Thomson Alliance



Netik InterView and Thomson PORTIA Join Forces to Provide
Comprehensive Investment Accounting and Data Warehouse Solution
The Thomson Corporation
5/14/2007 10:13:36 AM

Joint Offering for Money Managers and Money Owners

New York, NY 05/14/2007, Netik LLC, the financial data warehouse and data hub company for the securities and investment markets, and Thomson Financial, an operating unit of The Thomson Corporation (NYSE: TOC; TSX: TOC) and leading provider of software to the financial services industry, today announced a strategic alliance that integrates Thomson PORTIA® and Netik's InterView® solutions. The combined solution will provide money managers and money owners with a best-of-breed solution for investment accounting, data management and all reporting

Netik and Thomson have jointly invested in an adapter, available 'off-the-shelf', to combine the two products and leverage the strengths of both Thomson PORTIA and Netik InterView. The new PORTIA/Netik Adapter will be licensed to users by either Thomson Financial or Netik and will be maintained by both companies as a guaranteed interface across several releases. The integration of PORTIA and Netik InterView significantly enhances the delivery of portfolio accounting information to both a firm's internal consumers and externally to clients. For PORTIA users, this significantly enhances the firms' data management capabilities while providing another option for enhanced reporting presentation via Netik Interview.

Formerly limited to a single vendor for an integrated data warehouse and investment accounting solution, the asset management market will now have access to the depth and breadth of functionality that PORTIA and Netik InterView can jointly supply.

Christy Roux Bremner, Global Managing Director, Thomson PORTIA, Thomson Financial, said: "Thomson PORTIA has delivered world class accounting and transaction processing to the market for the past two

decades. Now, with flexibility in reporting provided by Netik InterView, new prospects and existing customers will have a viable alternative to in-house builds of data marts. The PORTIA/Netik combination can provide a higher degree of sophistication with ready-made and off-the-shelf to support enterprise reporting and data storage. "

John Wise, CEO, Netik adds "Thomson PORTIA already has acclaimed excellence in accounting. Combined with Netik InterView, it can provide excellence in all aspects of reporting and data management for money owners and money managers. Traditionally, various aspects of reporting and data management have been partially resolved by many silo systems hanging off the accounting engine. In a matter of months, issues of poor data quality, data latency and data management are a thing of the past with the Netik InterView and PORTIA guaranteed adapter."

Wise continues: "Netik has already signed the first customer who will have the Thomson PORTIA and Netik InterView combination solution."

"Netik's solution truly complements the functionality of PORTIA, and together we'll provide the industry with a truly unique and highly capable solution. Netik has very strong domain knowledge and a very good success rate in the industry. We're pleased to be able to work with Netik for the benefit of our mutual clients," added Bremner.

About Thomson Financial

Thomson Financial, with 2006 revenues of US\$2 billion, is a provider of information and technology solutions to the worldwide financial community. Through the widest range of products and services in the industry, Thomson Financial helps clients in more than 70 countries make better decisions, be more productive and achieve superior results. Thomson Financial is part of The Thomson Corporation (www.thomson.com), a global leader in providing essential electronic workflow solutions to business and professional customers. With operational headquarters in Stamford, Conn., Thomson provides value-added information, software tools and applications to professionals in the fields of law, tax, accounting, financial services, scientific research and healthcare. The Corporation's common shares are listed on the New York and Toronto stock exchanges (NYSE: TOC; TSX: TOC).

About Netik

Netik is a data warehouse and data hub Company that specializes in providing reporting and data management software solutions for the securities and investment markets. Netik's focus is in financial data warehousing, aimed at increasing efficiencies, reducing risk and improving client service for money owners and managers, and investor services

companies within the Securities and Banking Industry.

Netik's value proposition is focused on solving the perennial problems associated with how financial firms manage and derive valuable, reliable information from internal and external data. Netik solutions address the fundamental requirements for integration, validation, matching, reconciliation, and workflow to cleans, rationalization and reconciliation of data from an ever increasing numbers of sources, coupled with the need to warehouse and deliver data as valuable, accurate information for primary front-line business usage.

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Reference Data Review: Netik Data Model Plus Launch

T H E A U T H O R I T Y O N R E F E R E N C E D A T A

Netik Close to Three Deals for Packaged Data Model

Netik is in the final phase of due diligence with three organizations for Netik Data Model Plus, a packaged-up version of the data model on which its Netik InterView data warehouse is based. The new product is aimed at large investment managers and asset servicers that have decided to build their own data warehouses – firms from which Netik would historically have had to walk away.

The vendor – which is 51 per cent owned by the Bank of New York – says Netik Data Model Plus will help to reduce project risk and enable quicker delivery for firms that have undertaken to build their data warehouses internally. “It is a very risky, lengthy and expensive undertaking to build a data warehouse

from scratch,” says Netik COO Colin Close. “This is fundamentally due to the complexity of the data modeling exercise that must be completed before anything else can be built. It can be a perfectly legitimate decision to build your own data warehouse. This is where Netik Data Model Plus can help in mitigating project risk by giving such projects a huge head-start. Since the complexity is in the engineering and design of the data model, once they have that, the technologists can concentrate on how to shape it for their needs, which is a far less onerous task than trying to engineer the data model from scratch.”

Netik Data Model Plus carries the context of the entire investment value-chain, according to Close. It has 350

tables organized into multiple subject areas, 200 views and 1000 procedures and represents 15 years worth of elapsed development time. “Netik Data Model Plus is proven to accommodate both traditional and alternative strategies, is completely agnostic to the sources of data (application systems *et cetera*) and most importantly is designed to integrate with the pre-existing infrastructure in the enterprise – for example, enterprise applications, ETL tools and development frameworks.” Netik Data Model Plus is released on Oracle, with all the SQL as used by Netik InterView.

Netik will provide consultancy for the initial implementation, but firms will then deploy the data model in the way they need to. “There is no notion of supportable change or taking upgrades to the data model subsequent to its initial sale,” says Close.



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Securities Industry and
Financial Markets Association

Lewis S. Ranieri
Chairman
CA, Inc.

Howard W. Lutnick
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REFERENCE DATA REVIEW

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Automated Trader Magazine: Netik-Daiwa Customer

Daiwa Securities Global Asset Services Goes Live with Netik InterView for strategy to increase Assets Under Administration in the Hedge Funds Arena

[Algorithmic Trading News](#) from [Automated Trader Magazine](#)

Netik LLC, and Daiwa Securities Global Asset Services, a division of Daiwa Securities Group Inc, Tokyo, have announced the production roll-out of Netik InterView™, the data warehouse platform for data management and reporting.

"Daiwa Securities GAS signed Netik because of our need to increase operational efficiency and enable the rapid scaling of our business. We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent consolidated reporting. Netik InterView was selected to replace our internal data management tools and an in-house built data warehouse for client reporting. The implementation of Netik InterView is part of an on-going process of upgrading Daiwa's technology infrastructure to meet the increasing and ever demanding needs of Daiwa's hedge fund clients," commented Brian Guyett, Chief Operating Officer at Daiwa Securities GAS.

"We had previously developed separate internal data management and reporting capabilities, these systems supported the huge business growth achieved by the company to this point but would not be suitable to support our projected business growth. We reviewed the market and quickly established that Netik InterView's wide asset class coverage, combined with Netik's proven implementation methodology made the selection process straight forward," commented Kevin Magee, Chief Technology Officer at Daiwa Securities GAS. "We are very pleased with the results. We have contained and isolated our legacy components and integrated our key processing systems. In addition, we have been able to build a more robust automated reconciliation process between multiple prime brokers and our fund accounting system. The platform now gives us the opportunity to provide market leading reporting to our clients using Netik's flexible portal technology, which is our current area of focus."

Colin Close, Chief Information Officer at Netik commented, "We were delighted to welcome Daiwa to the Netik 'family'. It is good to see that Daiwa are using Netik InterView to enhance their existing processes using our data management technology. They also collect data for client reporting as part of the on-going daily processes rather than after the event. We are also pleased that Daiwa have become largely self sufficient in rolling out their new found functionality using a small team of their own resources, rather than relying on an army of consultants. This highlights Netik's on-going commitment to demystify and simplify data management and reporting projects to enable our clients to deliver real business value and return on their investment."

Buyside Magazine: Netik Asset Manager Launch

News

Daiwa Securities extends software with Xcitek

Daiwa Securities America has extended its XSP software agreement for corporate actions processing with Xcitek, the New York-based provider of corporate actions software, market data and consulting services. The Japanese-owned broker/dealer, which implemented the platform in 30 days in 2004, extended its contract for another three years.

Netik's buy-side offering

Netik, the global provider of data warehousing products, has launched a new system aimed specifically at buy-side users. Known as Netik Data Model Plus, the system is designed to integrate into customers' existing infrastructure. Netik says fund managers have usually been restricted to a limited number of vendors providing total solutions and have consequently had to build their own systems.

New crossing service at BNY ConvergEx Group

BNY ConvergEx Group has launched a proprietary block crossing service to support automated crossing. The system, ConvergEx Cross, is currently available to Eze Castle Software OMS clients and through the BNY ConvergEx Execution Solutions trading desks. Integration with other OMS vendors is planned for later this year.

Upgrade

Linedata upgrade focuses on ease of use

Linedata Services, the Paris-based provider of trading systems for asset management firms, has released the latest version of its flagship products, LongView Trading and Linedata Compliance.

The upgraded platform, version 6.6, offers multiple new features and an enhanced user interface.

"The real focus of version 6.6 is on making the overall use of the features easier," explains Jack Wiener, executive vice president of Linedata Services. "We've tuned up the front-end to be a little bit more intuitive in terms of how customers use the functions and workflows."

Wiener says that Linedata has tried to avoid developing the kind of product that has a lot of features that customers are not able to locate and use easily.

Added features include an upgraded fixed-income analytics engine and a mechanism to create order routing rules, giving access to greater liquidity according to the user's requirements.

On the compliance side, version 6.6 makes the system more streamlined so that post-trade compliance officers can see, in real-time, any pre-trade overrides that portfolio managers may have made.

The upgrade to version 6.6, for both LongView Trading and Linedata Compliance, is optional for the products' 100 asset



Jack Wiener, Linedata Services

management clients but comes at no extra cost.

The systems have been available as ASPs since late 2005, but Wiener stresses that they are still available on an install basis. "Some of our larger clients with large data centres still prefer to take this on-site," he says.

However, roughly 75% of the firm's clients now use the product as an ASP and benefit from a much reduced time to market – where the system can take up to nine months to fully install into a large firm, it can be ready in less than a month as an ASP. >

Joel Clark

Bottom line: The ASP versions of LongView Trading and Linedata Compliance have proven popular with clients seeking reduced implementation times.

Charles River takes aim at possible Islamic fund managers

Charles River Development has announced that its flagship Investment Management System can ensure compliance for sharia-based portfolios. The vendor claims that the world's largest managers of ethically-based funds use Charles River to manage their investments. It is now looking to gather clients in the Islamic finance industry, which has assets estimated at more than \$750 billion. The vendor's system allows clients to create and adjust restrictions across multiple portfolios in real-time.

German acquisition for Temenos

Temenos Group, the Swiss provider of integrated banking systems, has acquired ACTIS. BSP, a German vendor operating in the same area and subsidiary of Flexible Management Systems. The deal was completed at a price of \$19 million and is expected to contribute \$20 million of revenues to Temenos over the next 12 months. Temenos says the deal will give it access to the German market and an additional client base of more than 30 financial institutions as well as 144 new staff.

April 2007

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Technology & Finance: Netik-Daiwa Customer

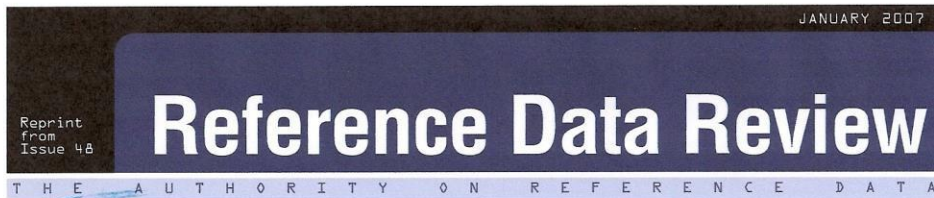
Daiwa Hedge Fund Admin Uses Netik

Daiwa Securities Global Asset Services, the oldest hedge fund administrator in Dublin, has rolled out Netik InterView, the data warehouse platform for data management and reporting.

“Daiwa Securities GAS signed [Netik](#) because of our need to increase operational efficiency and enable the rapid scaling of our business. We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent consolidated reporting. Netik InterView was selected to replace our internal data management tools and an in-house built data warehouse for client reporting. The implementation of Netik InterView is part of an on-going process of upgrading Daiwa’s technology infrastructure to meet the increasing and ever demanding needs of Daiwa’s hedge fund clients,” commented Brian Guyett, Chief Operating Officer at Daiwa Securities GAS.

Posted by [Tom Groenfeldt](#)

Reference Data Review: Netik-Daiwa Customer Case Study



Netik InterView Central to SOA At Daiwa Securities GAS

Dublin based hedge fund administrator Daiwa Securities Global Asset Services (GAS) has rolled out the Netik InterView data warehouse platform for data management and reporting. The Netik solution is central to the administrator's services oriented architecture (SOA) strategy, based around Microsoft .NET technologies, and going forward will be used to synchronise all data between its systems.

This will enable Daiwa Securities GAS to solve "the reference data problem that every firm struggles with", according to its chief technology officer Kevin Magee. "All our core operating systems were all sources for information, and there can be duplication at times," he says. "Our goal is to turn this around and have the data warehouse as our primary information source." The result will be significant operational cost savings and the ability to provide more powerful reporting, Magee adds.

Daiwa Securities GAS has taken adapters from Netik for interfaces to prime brokers and Swift, as well as its enterprise reporting product, and also plans to look at some of

Netik's other offerings going forward, Magee says. "We do plan to bring all our reference data into the data warehouse, although we are concentrating on reporting at the moment."

Netik InterView replaces an internally developed data warehouse and reporting solution at Daiwa Securities GAS, and has been implemented as part of the firm's D2 strategy – an IT plan conceived in early 2005, following a restructuring at the Daiwa division to refocus its business on the alternative investment industry.

In light of the decision to focus on hedge funds, it was clear that some of the technology that had supported the administrator up to that point would not be able to support it in the future, based on its "aggressive business projections", according to Magee. "We did a full SWOT analysis of our business, looking at where we were then and where we wanted to be in the future," he says. "We then analysed the technology we had underpinning our business to decide what to keep and what to throw away. We were maintaining and developing a custom built data warehouse system which in my view

was a waste of valuable resources. Other software companies were building data warehouses much better than we could ever build on our own. I wanted to have our IT staff working on projects which add strategic value."

Daiwa Securities GAS selected Netik InterView following an "extensive sourcing process", says Magee. "In our D2 architecture we need to take care of a lot of basic 'plumbing', ie connecting multiple production systems and external data sources. We also needed a strong data model which would represent the complex data requirements of our industry. The Netik InterView platform gave us this strong architectural foundation."

On one level the firm was swapping like for like – directly replacing its own bespoke data warehouse with the Netik data warehouse – he says, but he adds: "The similarity started



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and finished with the fact that our internally built system and the Netik system are both data warehouse and reporting systems. Ours was built using older technology and had only been developed for us (a market of one), whereas the Netik system had been developed for a global market."

The fact that Daiwa Securities GAS was "used to the idea of a data warehouse and where it fits into our overall technology ecosystem" was an advantage during the implementation of Netik InterView, Magee says: "Not all our peers are in that position." That said, there were some "fundamental differences" between the firm's legacy data warehouse approach and the Netik approach. "We had to get our heads around different thought processes. Historically we did the processing of data on the way out of the data warehouse. Netik does a lot of processing on the way in. This was a big change for us conceptually, but it gives us power and performance gains on the other side."

Colin Close, chief information officer at Netik, says its approach of performing QA activities – validation against business rules, transformation, enrichment and reconciliation – on data from back end processing systems before it is placed into the warehouse ensures rapid response

times at enquiry/reporting time. Prior to its implementation of Netik InterView, Daiwa chose to load "raw" data into its data mart without performing data management activities, preferring to carry out data validation and enrichment as part of the report generation process and on a report by report basis.

"Such an approach is error prone because you are attempting to validate data at a point in time well after the event," Close says. "Netik's approach to data management is very structured. It utilizes the Netik Data Portal that has been specifically engineered for highly efficient data management processes performed on data prior to its loading into the data warehouse. This requires discipline and structure in that the validation, transformation and enrichment rules must be agreed with the client up front. However, the benefit is derived from the assurance that all the data in the warehouse is of highest quality and readily available for both *ad hoc* enquiry and more formal document reporting."

Daiwa Securities GAS has exploited Netik's professional services function to help it get to "self-sufficiency" on the data warehouse solution, Magee says. "When we made the decision to go with Netik, we brought in some

professional services people from Netik to work with our people on architecting the strategy and the delivery plan, to ensure we could make some quick releases and get some functionality into the business. The Netik professional services team has helped us significantly during the project and we periodically draw on them as we build new capabilities. They are highly skilled people, who are very knowledgeable about the industry."

Being able to leverage the Netik system going forward is "very critical" for Daiwa Securities GAS, Magee continues. "As an example, Swift implements changes to its messages most years, and we are constantly spending time on that to keep up to date. Now all of this heavy lifting will be done by the vendor on our behalf through the use of strategic adapters." Growth in the fund administration business is rendering it very difficult for all participants to hire enough staff, he says, "so we have got to automate as much as possible, in order to keep on track with growth and regulatory demands, and to be able to concentrate on where we can add value to clients". Having Netik InterView in place enables him to focus the firm's limited IT resources on "these value adding activities", he concludes.

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Finextra: Netik-Thomson Alliance

Thomson Financial and Netik team for investment accounting and data management

Netik, the financial data warehouse and data hub company for the securities and investment markets, and Thomson Financial, an operating unit of The Thomson Corporation (NYSE: TOC; TSX: TOC) and leading provider of software to the financial services industry, today announced a strategic alliance that integrates Thomson PORTIA and Netik's InterView solutions.

The combined solution will provide money managers and money owners with a best-of-breed solution for investment accounting, data management and all reporting

Netik and Thomson have jointly invested in an adapter, available 'off-the-shelf', to combine the two products and leverage the strengths of both Thomson PORTIA and Netik InterView. The new PORTIA/Netik Adapter will be licensed to users by either Thomson Financial or Netik and will be maintained by both companies as a guaranteed interface across several releases. The integration of PORTIA and Netik InterView significantly enhances the delivery of portfolio accounting information to both a firm's internal consumers and externally to clients. For PORTIA users, this significantly enhances the firms' data management capabilities while providing another option for enhanced reporting presentation via Netik Interview.

Formerly limited to a single vendor for an integrated data warehouse and investment accounting solution, the asset management market will now have access to the depth and breadth of functionality that PORTIA and Netik InterView can jointly supply.

Christy Roux Bremner, Global Managing Director, Thomson PORTIA, Thomson Financial, said: "Thomson PORTIA has delivered world class accounting and transaction processing to the market for the past two decades. Now, with flexibility in reporting provided by Netik InterView, new prospects and existing customers will have a viable alternative to in-house builds of data marts. The PORTIA/Netik combination can provide a higher degree of sophistication with ready-made and off-the-shelf to support enterprise reporting and data storage."

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Bobsguide.com

- **Netik InterView and Thomson PORTIA Join Forces to Provide Comprehensive Investment Accounting and Data Warehouse Solution**
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Buy Side Magazine: Netik – Daiwa Customer Case Mention

News

RFA rolls out new data back-up tool

Richard Fleischman & Associates (RFA), the New York-based provider of IT systems to 400 hedge funds, has created a new product to protect hedge fund data. The application, eHarbor, provides secure, off-site storage for data files to protect funds in the event of computer disasters. RFA claims that eHarbor will allow funds to save money by lowering their business expenses and avoiding the purchase of expensive back-up equipment.

Daiwa installs Netik InterView for hedge fund data

Daiwa Securities Global Asset Services (GAS), the Dublin-based hedge fund service provider with \$38 billion under administration, has installed Netik InterView, a data warehouse platform for data management and reporting. The system, provided by US-based Netik, replaces Daiwa's internal data management and reporting systems. Daiwa Securities GAS, a division of Japanese securities broker Daiwa Securities Group, says the new technology will increase operational efficiencies.

Quant House adds feed handlers

Quant House, a provider of low-latency market data feeds and solutions for quant traders, has released a feed handler for Nasdaq itch v3 and Euronext FIM (MMTP) exchanges, which will allow clients to perform pre-trade analysis. The company says its clients will be able to achieve improved trading results by better understanding the markets and strategies. The new technology incorporates a 'market by order' feature, giving traders access to several thousand orders on most active instruments.

TT grows Euro presence

Chicago-based software provider Trading Technologies (TT) has expanded its operations to Switzerland. TT has nine offices worldwide but believes there is a strong demand for its products in Switzerland. The Geneva office will market TT's e-trading software to hedge funds, banks and other trading groups. TT's X_Trader, is aimed at derivatives traders, brokers and market makers, connecting them to futures exchanges and providing for their technology needs.

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February 2007

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Global Investment Technology: Netik-Thomson Alliance

PORTFOLIO MANAGEMENT

Portfolio management systems can "get old horribly and need to be refreshed and re-invested in over time."

Firms should consider systems' capabilities, architecture and capacity, along with the provider's ability to innovate and stay financially viable.

Alternative Investments Put New Face on Systems

NEW YORK — Booming business among hedge funds and money managers is boosting the fortunes of portfolio management vendors, with vendors old and new, including Thomson Financial, Netik, Pendo Systems and Advent Software, to name some, introducing new offerings or enhanced versions of their products.

"During the down years, everyone froze all the money," says Adam Schneider, Principal at Deloitte Consulting. "That's largely not the case now. There's significant interest in spending in this category. Sometimes it's related to consolidation. Sometimes it's related to new instruments and accounting requirements. Sometimes the old systems just got too old."

Portfolio management systems can "get old horribly and need to be refreshed and re-invested in over time," adds Schneider. New investment products such as exchange-traded funds, credit derivatives and hedge funds with both long and short investments, are fueling a need for newer portfolio management systems and capabilities, according to Schneider.

Investment firms seeking to install new portfolio management systems have to consider what type of clients they are serving. "A long, buy-side firm needs a different suite of capabilities than a long-short hedge fund," says Schneider. "It's a different set of capabilities for running mutual funds than for long buy-side assets."

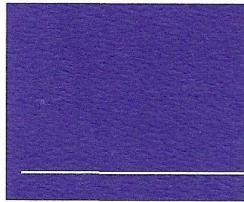
Firms should consider systems' capabilities, architecture and capacity, along with the provider's ability to innovate and stay financially viable, according to Schneider. "There's certainly been an enormous amount of increased functionality added to the pie in the last couple years," he says.

"But some of the older vendors have been more stable, have brought their user base along and built code."

Hedge funds emphasize a range of product coverage rather than complex accounting capabilities when choosing portfolio management systems. "That has spurred a series of technology choices both in accounting and in management," says Schneider. He points to Advent Software's Geneva accounting system for its flexible accounting capability. Often Advent's system is channeled through prime brokerage offerings, he notes. "Many hedge funds don't even know its name," says Schneider. "They think it's Merrill Lynch or Goldman Sachs."

The Thomson PORTIA portfolio management system, which includes trading and performance measurement tools, is known throughout the industry, with about 350 firms using it. Recently, Thomson Financial and Netik LLC allied to integrate PORTIA with Netik's InterView solution. "Netik has technology to wrap around PORTIA's asset management portfolio accounting system to make it more flexible to deliver information and to make it more efficient at receiving transactions so transactions are not ejected," says Colin Close, Chief Information Officer at Netik.

"The main challenge that asset management firms are facing, depending on their specialties, is that alternative investments until now have been divided into specialist firms and boutiques that specialize in those sorts of strategies," adds Close. "Most traditional managers are adding these strategies side by side with their traditional strategies. Asset managers are looking for vendors that offer aggregation and data warehousing among their core accounting engines."



Hedge funds emphasize a range of product coverage rather than complex accounting capabilities when choosing portfolio management systems.

The addition of new products such as credit derivatives will push many older systems to add more capabilities.

At the beginning of 2007, Thomson launched PORTIA Workspace to assist PORTIA users in optimizing their interaction with the portfolio management system, providing more workflow tools and automating and simplifying use of the system. "It allows each user to customize their own desktop," says Christy Roux Bremner, Global Managing Director, Thomson PORTIA, at Thomson Financial. "If there's a task they need to do and it has five things they need to complete, they can use the workflow capabilities to chain those tasks together. All the user has to do is click a button and the system runs through all the steps. It guarantees more that things will get done the way they need to get done."

Pendo Systems is a new company offering the BasisPoint portfolio accounting system, which uses a service-oriented architecture to extend its accounting engine platform into performance reporting, risk management, analytics and other workflows of investment firms. "There's no reason why portfolio accounting platforms shouldn't be a commodity within the investment management firm," says Kaj Pedersen, Chief Operations Officer, Pendo Systems. BasisPoint offers more value by using the Microsoft .Net platform and development tools, leveraging open standards including XML, explains Pedersen.

Advent Software Inc. has offered the Geneva portfolio accounting platform for 14 years, but has seen growth of its client base from 14 to 113 over the past six years. The company is planning version 7.0 of the Geneva platform to make it affordable for hedge funds with less than \$1 billion in assets under management, and as low as \$250 million in assets. In addition, Advent is also developing a version 2.0 of Advent Portfolio Exchange (APX), its portfolio man-

agement platform, to be issued later in 2007.

"There was a tremendous amount of growth in the number of funds qualifying into that space, just because of the overall asset growth in the hedge fund market," says Todd Gottula, Vice President for Product Development and Services at Advent Software. "We had a double whammy in 2006 because there was tremendous amount of new hedge fund growth and we made our product more approachable, so we saw an uptick in the number of hedge funds we signed in the second half of 2006. We think this trend will continue and we will target hedge funds as small as \$100 million for Geneva. There the average ticket price goes down and it becomes more of a units business."

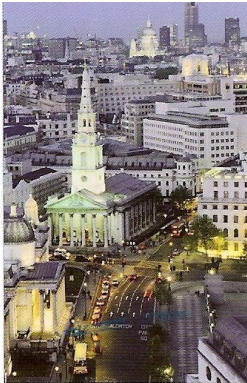
Advent has added a new front end and data-distribution architecture onto Geneva's accounting system to better serve middle-office and front-office desktops. "Rather than firms designing systems or extracting parts to get data from their back office up to their portfolio manager, now the same users can just use a Geneva desktop, isolated on the data viewing and distribution," says Gottula. Advent is also turning to .Net architecture for this purpose.

Deloitte's Schneider sees more integration with custodial capabilities in the pipeline. "Every major custodian has a major investment accounting capability and typically a major NAV capability for funds," he says. "There are legitimate questions about what to own and what to outsource, and relationships between buy-side accounting and their customers' accounting via their trust bank. There are legitimate questions about how to optimize that. There aren't many good tools that do everything." □

[To be continued]

Buy-Side Magazine: Netik-Thomson Alliance

News



Proquote launches Mifid compliance product

Proquote, a market data and trading systems provider and subsidiary of the London Stock Exchange, has launched a new product that enables customers to meet the best execution requirements of Mifid. The system, Best Execution Report, will deliver reports to users to monitor best execution and give an accurate picture of trades executed at any time. It also encompasses a database of all market price information for every trade.

Tibco to acquire Spotfire in \$195 million deal

Tibco Software, a business integration and process management software company, is to acquire Spotfire, the Somerville, Massachusetts-based provider of business intelligence software. The deal is valued at approximately \$195 million. Tibco says the

integration of its expertise in service oriented architecture, business process management and business optimisation with Spotfire's business intelligence capabilities, will transform the way businesses use data. Tibco has 3,000 customers and offices in 40 countries.

Netik forges alliance with Thomson Financial

Data warehouse and data hub company Netik has allied with Thomson Financial, integrating Thomson Portia and Netik InterView to provide an investment accounting and data warehouse system. The vendors say the move will provide money managers and money owners with a best-of-breed system for investment accounting, data management and reporting.

4th Story installs Activ Financial market data tool

San Francisco-based provider of automated trading systems 4th Story has connected to market data vendor Activ Financial's low-latency platform for the delivery of real-time as well as historic data. The financial services software firm says the move will drive real-time algorithmic and alpha strategy trading through an embedded adapter.

MFT passes Swift 1 million message milestone

Mutual Fund Technologies (MFT), a UK-based provider of software, managed services and consulting, has processed more than one million Swift messages on its message exchange, an STP mutual fund dealing system, since it was launched in 2002. MFT's Message Exchange has more than 100 distributors who have processed \$400 billion of trades.

Name change for royalblue

Royalblue, the London-based vendor and recent acquirer of buy-side compliance and OMS provider LatentZero, has changed its name to Fidessa, the trade name for its flagship trading platform. The LatentZero business will now be known as Fidessa LatentZero. Fidessa has annual sales of \$250 million and employs 1,000 people globally.

Thomson unveils Credit Analysis application

Global provider of information and technology services Thomson Financial has launched a new product, Thomson Credit Analysis, to be integrated into its Thomson One platform. The tool provides an end-to-end workflow package to support credit analysts, risk managers and managers of multi-asset funds. Users can search for all bonds,

credit default swaps and indices available in the market and can then see the terms and conditions of any chosen instrument and the credit ratios of its issuer. The Stamford, Connecticut-based vendor, which has annual sales of \$2 billion, says this is a move towards a multi-asset class platform for the analysis of equities, debt and derivatives.

Barcap goes algo with FX

Barclays Capital has launched PowerFill Orders, a product which gives clients a new range of algorithmic functionality for FX trading on Barx, its e-commerce platform. According to the investment bank, the system enables clients to work orders within the market and enables them to choose whether to execute their FX trades passively or aggressively.

Bisys acquired by Citi

Citi, a global financial services company is to acquire US-based Bisys, a hedge fund administrator and mutual fund services provider, for \$1.45 billion. Citi says the deal will enable it to become a market-leading provider of hedge fund and mutual fund services as well as a top-tiered administrator for the private equity industry.

June 2007

13

Finextra: Netik Asset Manager Solution Launch

Netik LLC, the industry's leading financial services data warehouse today announced Netik Asset Manager, an off-the-shelf pre-packaged 'plug-and-play' business solution that sits on top of Netik InterView data warehouse specifically to support the complex information needs of investment management firms.

The Netik Asset Manager ensures that all the appropriate data are collected from multiple back-end systems (including portfolio accounting, performance and risk engines) and organized into business Explorers so that the senior executives can browse the information that is specific to their role. The solution consists of a number of pre-configured applications and components of the Netik InterViewtm data warehouse platform. The off-the-shelf Netik Asset Manager solution is shipped with:

- Adapters/Public Interfaces for Order Management, Portfolio Accounting, Risk Analytics, Performance, post-trade Compliance monitoring, CRM, and Market and Reference Data;
- Pre-configured Workflows and reconciliation scenarios for creating a Single Version Of The Truth;
- Netik Role-based Explorers that contain sets of inquiries to support senior executives in their quest to follow a train of thought and quickly understand what's happening in their part of the business;
- Netik Enterprise Reporting for delivering a starter set of board room quality paper reports, including monthly statements, complex quarterly report packs and marketing fact sheets.

John Wise, Chief Executive Officer, Netik states: "Netik Asset Manager is the culmination of years of product executed in response to Netik's customers' who wish to view consolidated data as information, and transform information into knowledge, whether this be driven by their internal front, middle and back office functions or their external customers. Today it is common for a typical asset manager to seek the data he needs from multiple places (including OMS, portfolio accounting, performance and risk systems) throughout the enterprise resulting in many quality and operational difficulties. Plus, he then struggles to quickly gain meaning from the data." Wise continues: "Even though the Asset Management community is starting to understand that data warehousing is the answer, it has not fully embraced this approach because of lingering concerns about run-away costs and high project risk issues; there are just too many examples of failed in-house data warehouse projects. Many people fail to understand that building a data warehouse internally is the exact same lunacy as attempting to build an accounting system in-house. Today, Netik Asset Manager solves the problem of run-away costs because of its 'plug-and-play' approach. The Netik Asset Manager comes with a known time-to-market and cost-to-market, and enables the immediate leveraging of data as information, and information as knowledge."

Netik Asset Manager's sophisticated inquiries, views, and reports provide information on portfolios, securities, positions, lots, transaction and cash flows as well as performance and risk data. Drill-downs give access to more detailed information with a single click allowing a user to follow a train of thought. Off-the-shelf sets of inquiries are organized so that entitled users can analyze such issues as AUM, shape of portfolios, portfolio performance, fund manager performance, client analysis, business flows, risk budget utilization, etc. Inquiry results may be displayed in traditional tabular form, or together with predefined charts or graphs through browsers and board quality reports.

Colin Close, Chief Information Officer, Netik adds, "Netik Asset Manager solves the problem of rapidly and safely assembling the firm's Single Version Of The Truth and leverage this to assist the senior executive team to manage the firm better and to enable it to achieve sustainable competitive advantage."

Bobsguide.com: Netik Asset Manager Solution Launch

NETIK ANNOUNCES 'NETIK ASSET MANAGER'

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Colin Close, Chief Information Officer, Netik adds, "Netik Asset Manager solves the problem of rapidly and safely assembling the firm's Single Version Of The Truth SVOTTTM and leverage this to assist the senior executive team to manage the firm better and to enable it to achieve sustainable competitive advantage."

EU Bankers: Netik Asset Manager Solution Launch

Leading financial services data warehouse firm announces launch of 'Netik Asset Manager'

29/11/2006 by: Press Release

Netik have announced Netik Asset Manager, an off-the-shelf pre-packaged 'plug-and-play' business solution that sits on top of Netik InterView™ data warehouse specifically to support the complex information needs of investment management firms.

The Netik Asset Manager ensures that all the appropriate data are collected from multiple back-end systems (including portfolio accounting, performance and risk engines) and organized into business Explorers so that the senior executives can browse the information that is specific to their role. The solution consists of a number of pre-configured applications and components of the Netik InterView™ data warehouse platform. The off-the-shelf Netik Asset Manager solution is shipped with:

- Adapters/Public Interfaces for Order Management, Portfolio Accounting, Risk Analytics, Performance, post-trade Compliance monitoring, CRM, and Market and Reference Data;
- Pre-configured Workflows and reconciliation scenarios for creating a Single Version Of The Truth (SVOTTTM);
- Netik Role-based Explorers that contain sets of inquiries to support senior executives in their quest to follow a train of thought and quickly understand what's happening in their part of the business;
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John Wise, Chief Executive Officer, Netik states: "Netik Asset Manager is the culmination of years of product executed in response to Netik's customers' who wish to view consolidated data as information, and transform information into knowledge, whether this be driven by their internal front, middle and back office functions or their external customers.

Today it is common for a typical asset manager to seek the data he needs from multiple places (including OMS, portfolio accounting, performance and risk systems) throughout the enterprise resulting in many quality and operational difficulties. Plus, he then struggles to quickly gain meaning from the data." Wise continues: "Even though the Asset Management community is starting to understand that data warehousing is the answer, it has not fully embraced this approach because of lingering concerns about run-away costs and high project risk issues; there are just too many examples of failed in-house data warehouse projects. Many people fail to understand that building a data warehouse internally is the exact same lunacy as attempting to build an accounting

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Reference Data Review: Netik Asset Manager Launch

Netik Eases InterView Implementation for Asset Managers with Off-The-Shelf Adapters

Bank of New York-owned Netik has carried out two implementations of a pre-packaged set of programs, metadata and pre-configured enquiries/reports organized into role-based "Explorers", that sits on top of its InterView data warehouse and enables the system to be installed at investment management firms in around three months instead of the usual six to nine. The Netik Asset Manager solution has been implemented by the asset management arm of an insurance company in South Africa and an alternative investment company in New York. The latter installation took just five weeks, according to Netik CEO John Wise.

Netik decided to create the shrink-wrapped solution after observing the similar ways in which it was configuring InterView within its investment management clients' operations, Wise says. Netik Asset Manager's components have been "thoroughly tested", he insists, because "we have incorporated into the system all the metadata collected as we have been implementing InterView with 20 plus customers during the past two years". Netik has created similar shrink-wrapped solutions to ease the implementation of InterView by prime brokers and fund administrators.

Netik Asset Manager comprises off-the-shelf adapters for various systems such as ThinkFolio, Portia, Barra Risk, StatPro and Bloomberg, Wise says. "These are all plug and play adapters, and around that we have put in place all the workflows," he adds. "When you buy Netik Asset Manager you also buy Netik InterView as well, and that contains a toolkit environment that enables integration to any other systems an investment manager might have, for which we don't currently have off-the-shelf adapters," Wise concludes.

Securities Industry News: Netik Asset Manager Launch

Netik Announces Business Solution for Asset Manager Market

November 28, 2006 - New York and London – Netik LLC, the industry's leading financial services data warehouse, today announced Netik Asset Manager, an off-the-shelf, pre-packaged 'plug-and-play' business solution that sits on top of Netik InterView data warehouse specifically to support the complex information needs of investment management firms.

The Netik Asset Manager ensures that all the appropriate data are collected from multiple back-end systems (including portfolio accounting, performance and risk engines) and organized into business Explorers so that the senior executives can browse the information that is specific to their role. The solution consists of a number of pre-configured applications and components of the Netik InterView data warehouse platform. The off-the-shelf Netik Asset Manager solution is shipped with:

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Netik is a global leading provider of financial data warehouses to the securities industry. Netik’s data warehouse product, Netik Interview, sits at the heart of Investment Operations at many of the world’s leading Asset Managers, Hedge Funds, Wealth Managers, Private Bankers, Prime Brokers, Fund Administrators, Custodians and Investment Operational Outsourcing providers.

The Netik team has spent the past 15 years perfecting the art of bringing together portfolio accounting, performance and risk data from disparate sources into a single version of the truth (SVOTT). The result is a highly scalable and sophisticated securities business data model that has been designed to process all securities and offers a complete model for traditional and alternative markets.

Netik, as a leading provider of data warehouse solutions, is able to achieve rapid implementations through its ‘plug-and-play’ capabilities with off-the-shelf solutions for Netik Asset Manager, Netik Prime Broker and Netik Fund Administrator that are all centered around the uniquely powerful business model of Netik InterView. For more information please visit www.netik.com .

Hedge Funds & Investment Technology: Netik Asset Manager Launch

January 1, 2007

ISSN 1741-8291 Vol 1 No 1

NEWS

Netik eyes buy side with Asset Manager launch

Netik, the New York-based provider of data warehouse technology and services, has unveiled Netik Asset Manager, an off-the-shelf application designed to sit on top of its Netik InterView data warehouse.

Netik Asset Manager collects data from multiple back-end systems (portfolio accounting, performance and risk engines) and organises it into business 'explorers' allowing users to browse the data specific to their role. Netik Asset Manager comprises a number of components of the Netik InterView data warehouse platform including:

- Adapters/interfaces for order management, portfolio accounting, risk analytics, performance, post-trade compliance, CRM, and market and reference data applications
- Workflows and scenarios for creating a 'Single Version Of The Truth' (SVOTT)
- Netik role-based 'explorers' containing sets of inquiries
- Netik Enterprise Reporting

Data Warehouse.com News: Netik Asset Manager

New Product News [Netik LLC](#) announced *Netik Asset Manager*, an off-the-shelf pre-packaged plug-and-play business solution that sits on top of Netik InterView data warehouse specifically to support the complex information needs of investment management firms. The Netik Asset Manager ensures that all the appropriate data are collected from multiple back-end systems (including portfolio accounting, performance and risk engines) and organized into business Explorers so that the senior executives can browse the information that is specific to their role. The solution consists of a number of pre-configured applications and components of the Netik InterView data warehouse platform.

Published December 28, 2006

HedgeWorld: Netik-Daiwa Customer Case Study

Technology Briefs

By HedgeWorld Staff | Monday, January 15, 2007

Daiwa Securities Goes With Netik

NEW YORK—Daiwa Securities Global Asset Services selected Netik's InterView data warehouse platform to replace its internal self-built data management system and data warehouse for client reporting.

In a news release, Brian Guyett, chief operating officer at Daiwa Securities Global Asset Services said Daiwa opted to go with InterView over its own systems in order to implement a standard platform that would deliver consistent consolidated reporting. He said implementing Netik InterView was part of an ongoing process at Daiwa to upgrade technology in order to better serve its hedge fund clients. Daiwa's Dublin-based GAS team provides administration services to hedge funds that collectively have \$38 billion in assets.

"We had previously developed separate internal data management and reporting capabilities," said Kevin Magee, chief technology officer at Daiwa Securities GAS, in a statement. "[T]hese systems supported the huge business growth achieved by the company to this point but would not be suitable to support our projected business growth." Using Netik, he added, "We have contained and isolated our legacy components and integrated our key processing systems. In addition, we have been able to build a more robust automated reconciliation process between multiple prime brokers and our fund accounting system."

Waters News: Netik-Daiwa Customer mention

Daiwa Securities GAS Goes Live with Netik InterView

The Dublin-based hedge fund rolls out a new data management and reporting platform.

Daiwa Securities Global Asset Services (GAS), a Dublin-based hedge fund administrator, and a division of Daiwa Securities Group, Tokyo, is rolling out Netik InterView, a data warehouse platform for data management and reporting. “We wanted to reduce our dependency on internally built systems and implement a standard platform that would deliver consistent consolidated reporting,” says Brian Guyett, COO at Daiwa Securities GAS. “The implementation of Netik InterView is part of an ongoing process of upgrading Daiwa’s technology infrastructure to meet the increasing needs of Daiwa’s hedge fund clients,” he says. CTO Kevin Magee says that Daiwa Securities GAS had previously developed separate internal data management and reporting capabilities, which supported the company’s business growth to a certain point, but would not be suitable to support projected business growth.

By Waters

Inside Market Data: New Human Capital

November 27, 2006
New York - London

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Netik Hires Two in NY

Data warehouse provider Netik has hired **Berl Kaufman** as pre-sales director and **Josette Wys** as sales executive for North America. Kaufman was previously senior manager for capital markets investment management at Deloitte & Touche, where he was involved in several Netik rollouts. Wys joins from pharma technology provider INYX, where she was vice president of business development.

Netik adds Berl Kaufman and Josette Wys to sales team

Netik LLC, the industry's leading data warehouse today announced two new senior resources to support the USA sales in Asset Management and Hedge Fund Markets.

Berl Kaufman has joined as Pre-Sales Director for North America with prime responsibility for supporting all sales activities and business development.

John Wise, Chief Executive Officer, Netik, states: "Netik has worked with Mr. Kaufman for almost a year as a consultant on several data warehouse implementations. Mr. Kaufman has excellent insight into the business requirements of Money Managers and Investor Services and will be an asset in enhancing Netik's strengths in product communication in the sales process and be leveraged by our product development group."

Prior to joining Netik, Mr. Kaufman worked at Deloitte & Touche LLP acting as Senior Manager, Capital Markets Investment Management. His responsibilities included leading teams on several technology implementations from data warehousing systems to fixed income compliance reporting to fund administration reporting for companies including Ameriprise, Prudential, PIMCO, US Bancorp, Merrill Lynch, etc.

Before Mr. Kaufman's career at Deloitte & Touche, Mr. Kaufman acted as Vice President, Principle for Zurich Scudder Investments later acquired by Deutsche Bank. In this role, Mr. Kaufman integrated the Bloomberg fixed income trading system with an in-house portfolio accounting system and developed and implemented a security master scrubbing application using Bloomberg data. Earlier at, Zurich Scudder Investments he acted as Technical Project Leader and Developer. Mr. Kaufman is a regular speaker at industry conferences.

Josette Wys has joined as Sales Executive for North America with prime responsibility for sales to Money Managers (Asset Managers and Hedge Fund Managers) for the Mid West and East Coast.

John Wise continues: "Netik sales team continues to leverage professional sales executives from mature markets to communicate Netik's product and solutions. Ms. Wys believes strongly that the process to establish product fit is essential for satisfied customers and all bad projects are the result of poor due diligence on both the customer

and vendor sides." Wise continues: "Netik believes that a good vendor selects their customers using the same methods as a customer should when selecting a vendor. One of Netik's due diligence processes, known as an integration study, allows the level of product fit investigation upfront which Ms. Wys is excited about in ensuring best customer relationships and product delivery."

Prior to Netik, Ms. Wys worked as VP of Business Development for INYX Inc. During this time, Ms. Wys directed all new business development, lead generation, building relationships and solution selling to Pharmaceutical companies. Other responsibilities included negotiation and execution of licensing transactions, joint ventures and outright acquisitions. Ms. Wys also held sales management/director positions at PRIDCO, BCJ and holds an MBA.

Bobsguide.COM: New Human Capital, growth in East Coast, NA

NETIK EXPANDS SALES TEAM TO FOCUS ON INCREASING MARKET OPPORTUNITIES WITH ASSET MANAGEMENT AND HEDGE FUND MARKETS

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Hedge Fund & Investment IT: New Human Capital, growth in East Coast, NA

January 1, 2007

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HUMAN CAPITAL

Netik makes new hires

Financial data warehousing technology provider Netik has named **Berl Kaufman** pre-sales director for North America and **Josette Wys** sales executive for North America focused on money managers. Kaufman is responsible for leading support of all sales and business development efforts in North America. He joins Netik from Deloitte & Touche, where he served as senior manager at that firm's capital markets investment management division. Kaufman also served as vice-president at Zurich Scudder Investments (now part

of Deutsche Bank). Wys will focus on asset management and hedge fund management clients in the Midwest and Western US. She previously served as vice-president of business development at Inyx, and has also held positions at Pridco.

FT Mandate: BoNY Knocks on Euro Doors, mentions success due to Netik deal in 2004 in last sentence



BNY knocks on Euro doors

April 2006

Having exported a successful model to the UK, BNY is now looking to penetrate continental Europe with services spanning custody, fund accounting and transfer agency. *Roger Aitken* reports.

Despite not securing Unicredit's Securities Services business this February and losing out to Société Générale, Tim Keaney, executive vice president and head of Europe at the Bank of New York (BNY) says that this transaction has "not dampened" the bank's enthusiasm for deals in Europe and we should expect it to be active in future.

BNY, which has \$10,900bn (€9000bn) of assets under custody and administration, was rumoured to be initially in the hunt for Italy's number two in its domestic market. But the fact that it went to France has not been detrimental to BNY's aspirations, says the 44-year-old New Yorker.



— Keaney: number of providers is unsustainable

Mr Keaney reveals that while their preferred "first choices" were France and Germany, some "potential for partnership" in Switzerland could happen to support a private clientele-type strategy.

Mr Keaney says: "If I were to look at geographies and market segments that intrigue us at BNY and where we think we can add value, the whole private wealth management space is one where we see ourselves being active."

A straight swap

BNY which was rumoured to be in talks with JPMorgan over potentially swapping BNY's retail bank network for some of JPMorgan's corporate trust business saw confirmation of the deal in April (338 branches in the tri-state region changed hands). Dominion Bond Rating Service confirmed BNY's senior credit rating at 'AA' (low).

The bank has already been fairly successful with a series of joint ventures in Europe. For example in the shape of its sales joint venture with ING in the Benelux region, which has been a

success through a vast distribution channel and sound relationships with corporate clientele. Acquisition is preferable to partnership asserts the BNY head in Europe, who has a fully autonomous role from the bank's US operations.

January 2005 saw the bank win an important mandate in France, being selected as global custodian by Natexis Banques Populaires (NBP), the wholesale arm of France's fifth largest banking group, to provide global custodian services for its ?80bn of assets under custody across 48 different countries. Natexis is one of the largest in-sourcers of securities services to banks and private banking units in France.

Certainly BNY is "knocking on" many doors in Europe, for which there are high hopes. However, for every buyer in the market there has to be a seller, and possible candidates in each market of interest has shrunk.

Mr Keaney talks buoyantly about the asset servicing business like an historian plotting the twists and turns over a period of 20 years since he joined the Boston Company as vice president (before moving to Mellon Bank, and Bankers Trust (Deutsche Bank).

Consolidation in Europe as elsewhere - both among asset service providers and asset management groups - shows no sign of abating. Rather, certain factors are hastening consolidation - harmonisation on both the fiscal and clearing and settlement fronts, as well as regulatory burdens such as 'MiFID' in Europe.

Mr Keaney believes the number of providers and people working in his industry is "unsustainable" going forward.

There is another issue bubbling away, he says. "Perhaps 70 per cent of UK fund managers are not making money and possibly 40 to 50 per cent managers are sub-scale.

That's a position that cannot persist," he believes.

Unicredit's decision to effectively exit the asset administration business - when it enjoyed scale in its individual markets speaks volumes. "I think they see things [now] I foresaw happening around two and a half years ago with the globalisation effect. Look at what their clients are doing; they're not just in Italy but in Luxembourg, Dublin and in the US. They are investing in hedge funds, using derivative instruments," Mr Keaney explains.

"That requires the securities servicing infrastructure to have either a full service offering or stay geographic. BNY has such a full service orientation to servicing assets in the US - for US funds under any type of structure - collective funds, mutual funds or could be unit trusts - wherever that asset is invested either in the US or internationally," he adds.

Having exported this same model to the UK, where BNY administers 22 per cent of the pension fund market, as well as Luxembourg and Dublin, the bank is now looking to penetrate continental Europe with services spanning custody, fund accounting, transfer agency, depot bank.

Acknowledging that the bank would have liked to have been the winner in the Unicredit transaction, Mr Keaney says: "Personally speaking I think the price was too high. And, sooner or later, one has to decide what is affordable for a transaction - no matter strategic. We at BNY maintain strict discipline when embarking on any acquisition."

Mr Keaney notes that outsourcing activity has "picked up" in the US and also gone down market to the middle market clients, which he characterises as between \$5bn to \$50bn. This segment has "woken up" after taking its cue from some of the larger managers that have outsourced. While BNY does offer a "fairly component-based approach" to the genre, he adds that for some reason clients have tended to want end-to-end (solutions).

Nuts are cracked

“It doesn’t mean that it [outsourcing] might not evolve into a more component-based approach, but my observation is that so far it has not,” he adds. While in numbers of deals the UK was ahead of continental Europe, outsourcing was seeing “a depth in the market” now with fund managers of all sizes and types.

Along with State Street, BNY is the market leader in outsourcing, but “capacity constraints” were emerging. Mr Keaney claims the bank has “probably cracked” the biggest nut to handling any outsourcing deal - the data issue through the data warehouse. By virtue of a strategic investment in the data hub and warehouse business of Netik back in 2004, this facilitates connectivity internally and externally for BNY clients.

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What Makes Markets

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SPECIAL REPORT STRAIGHT-THROUGH PROCESSING

Roundtable: An Idea Whose Time Has Come Back

When the Securities Industry Association in 2002 shelved its project to put the U.S. equities market on a trade-date-plus-one-day (T+1) settlement schedule, the association took great pains to separate that decision from the industry's ongoing campaign to improve straight-through processing (STP). But it stood to reason that STP—ultimately, hands-off automation from the front end to the back end of a transaction, and a prerequisite for T+1—looked at least a reputational hit in the process.

However, among the reasons for the abandonment of T+1—the market downturn and securities firms' cost pressures—were drivers of STP, and the industry never stopped working on those internal efficiencies by sipping out manual processing wherever possible. In 2006, there is no more talk of overarching, global initiatives like that of the Global Straight Through Processing Association (GSTPA), which closed in 2002 after burning through \$100 million of funding from industry participants. Firms look for shorter-term paybacks on expenses that can be justified to upper management in terms of hard-dollar savings and opportunities realized.

Still, true STP, in which transaction flows are completely automated within and between firms and their counterparties and service providers remains elusive. Algorithmic and electronic trading are generating unprecedented volumes of transactions and data to be processed; cross-border trading and the need to settle those transactions at a reasonable cost



Jeffrey Potter



Bruno Bonacchi

have become a priority concern of European regulators; and STP requirements are spreading in fixed income and derivatives, notably in recent demands from a group of global regulators to clear up backlogs in the burgeoning credit derivatives market.

As has always been the case with STP, the largest sell-side firms lead the way in

technology and sophistication. They are the ones who can most afford the necessary investments, while many asset managers, weighing the cost-benefits, wonder how much burden they should bear when broker-dealers and custodian banks benefit far more from STP.

To assess STP today—the commitment to it, measurable gains and future challenges—*Securities Industry News* posed a series of questions to a cross-section of interested parties:

- Bruno Bonacchi, executive director of the global securities services unit of custodian Mellon Financial Corp. in Pittsburgh, which has \$4.9 trillion in assets under administration.

- Gary Brackenridge, president and CEO of New York-based financial technology consulting firm Integrated Trade Processing.

- Colin Close, chief information officer of London data warehouse software vendor Neuk, which is 51 percent-owned by Bank of New York.

- Paul Farnigheui, director of automated trading for Trillium Trading, an affiliate of Schonfeld Group in New York.

- Robert Fuller, director of IT strategy for Dresdner Kleinwort, Wasserstein in London.

- Josh Galper, managing principal of Concord, Mass. research and consulting firm Vodia Group.

- Gary Maier, chief information and technology officer for Stamford, Conn.-based Five Mile Capital Partners, an alternative investments manager.

- Lucille Mayer, managing director of process reengineering and chief quality

officer for Pershing, Bank of New York's clearing subsidiary, based in Jersey City, N.J.

•Jeffrey Potter, VP of the corporate and institutional trust department of Chicago's Northern Trust Co., a global custodian with \$3.1 trillion in assets under administration. (Potter is also a member of Omgeo's advisory board and of the executive board of the International Securities Association for Institutional Trade Communication, or ISITC.)

•Babu Sotai, director of investment systems for Summit Investment Partners, a \$7 billion fund manager in Cincinnati specializing in fixed-income securities.

•Patricia Tsien, managing director in charge of data management at Accenture in New York.

Each was interviewed separately, and the answers were compiled, by *SDN* senior international editor Chris Kentouris.

How has the direction of STP changed over the past five years?

Potter: STP has become more widely embraced by the securities industry. The paradigm has shifted from questioning the need for STP to away of life for firms witnessing efficiencies to the back office.

Sotai: Securities firms are now driving small component-based solutions, rather than talking about grand-scale projects. The additional functionality added to Omgeo's Oays allocation service to expand into the fixed-income arena is an example. Enhancements have also been made to Swift message types.

Mayer: Five years ago the industry took a somewhat myopic view that focused almost exclusively on the clearing and settlement of equities in a compressed T+1 timeframe and the role of a virtual trading utility such as the GSTPA or Omgeo. Clearly, 9-11 also altered the social, economic and political landscape significantly, placing costly initiatives, like T+1, on the back burner. Nonetheless, few plans and proposals of the time seemed to address existing integration gaps, even within a single organization, that had to be filled as a prerequisite to STP. Moreover, back then, few appeared to recognize that STP was only as good as the least common denominator: in this case, the typical five-guy-in-a-phone-booth hedge fund. If you do not extend a "last mile" connection to those firms, industrywide STP cannot be realized.

Today, I believe, firms are taking a much more holistic view of STP that crosses all boundaries of the trade life cycle, internally and externally, and attempts to increasingly engage all participants regardless of size or technical sophistication.

Bonacchi: STP was once associated with reduced settlement cycles such as the proposed move from T+3 to T+1 in the U.S. But over time it has evolved into a trade life cycle view—from capturing the trade electronically to settlement and even post-trade processing.

Mayer: Five years ago the focus was on reducing settlement cycles, but I think it has now shifted to the post-trade and custody arena: How do I automate sufficiently to eliminate manual intervention by allowing requests for transactions from customers to be processed straight

Markets in Financial Instruments Directive [MiFID].

Galper: STP is now an extension to multi-asset-class trading. The basic concepts of what it is have been agreed upon. Omgeo has done an excellent job in addressing the need for electronic allocations in equities, and we are now seeing it expand to other product types. We are also seeing protocols develop for credit derivatives.

Fuller: Over the past five years we have seen a massive increase in trading volume in non-vanilla products, so the IT spend for STP has been in that area. It is where firms are projecting the greatest revenue growth.

Clare: Five years ago firms were concentrating on connectivity to their trading partners and clients, and the talk was of industry initiatives and grand facilitating utilities. Hence they spent much of their effort on improving the linkage to counterparties—externally—to brokers, exchanges, custodians, etc. Despite the failure of the industry initiatives, much progress has been made in that arena. Now, the focus is on internal initiatives that repair broken linkages within the firm. The aim is to enable the free flow of information and promote real-time processing. Today's STP solutions are more data- and information-centric.

Brackewidge: We have seen a change from STP as an industry concept or an idea to a series of pragmatic and practical steps that are applied to processes and systems throughout an organization. Many firms have improved remarkably in the last five years in developing systematic ways to address applications, operational support and internal processes to achieve STP. STP has grown up.

In what operations or asset classes does the industry most need to improve STP practices?

Bonacchi: If you return to the origins of STP in the late 1980s, there was much more focus on domestic equities and fixed-income products. Since then we have seen a plethora of exotic instruments. So the greatest progress obviously needs to be in that category. Small to mid-size asset managers are lacking in STP because it is more difficult for them to justify the investment in technology. From a regional perspective, emerging markets and the cross-border environ-

**"I hear the
buzzword 'data czar'
mentioned, but
in reality, you need
a dedicated operations
and technology staff
working together."**

—James Parry,
Goldman Sachs & Co.

through? Account transfer is a case in point, as are IRA contributions and distributions. A second key area of interest now is maintaining and improving accuracy of data on an enterprisewide basis to ensure that transactions are handled consistently across processes.

Tsien: Since STP has gone mainstream and is now embedded in standard operating procedures, the focus has shifted to data management—messaging standards and data quality. The impetus for these goals is an array of regulatory requirements such as Sarbanes-Oxley, anti-money laundering and know-your-customer rules and the best-execution policies of the U.S. Regulation National Market System [NMS] and Europe's

ment are behind the U.S. and U.K. domestic markets.

Mayer: I think that the cross-border environment has been lacking in the area of common data standards. There are still



different market practices as to what data elements should be included in pre- and post-trade instructions. Within the U.S. market, annuities processing has taken a big leap forward, but we have only begun to leverage the services of a centralized organization such as DTCC [Depository Trust & Clearing Corp.].

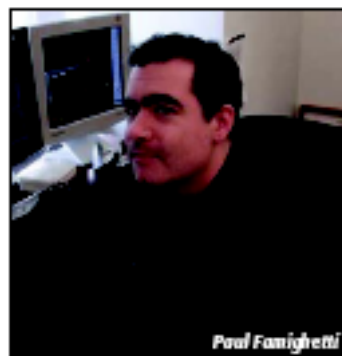
Posner: There is some work to be done in fixed-income products—TBAs [to-be-announced contracts], repos and reverse repo transactions. Over-the-counter derivatives is also a Pandora's box. Fixed income has made great strides through Otago's expansion of its Otago allocations product. When it comes to fund managers, broker-dealers and custodian banks, it is a hit-or-miss proposition. Some of the larger players have embraced STP, but the lower- to mid-tier have not.

Galper: There hasn't been as much attention paid in the OTC derivatives area because it is easier to score points with the larger-traded asset classes first, such as equities. Now that those have been tackled, the market can move to more exotic instruments. Within equities, however, there are still 20 percent to 30 percent of firms that are too small to automate without a huge investment, and it has not been cost-effective for service providers to target this market.

Moier: OTC derivatives contracts, unsecured whole loans and mortgage-backed and asset-backed securities, especially of the less liquid variety, tend to introduce the most operational overhead,

given the specificity and ongoing maintenance of each transaction. Recently, some electronic trading venues, such as TradeWeb, have introduced coverage of U.S. dollar-denominated interest rate swaps. By conforming to existing ISDA [International Swaps & Derivatives Association] agreements between counterparties and further normalizing the transaction details and execution, these venues have helped improve STP in OTC instruments, but they still account for a very small percentage of the overall market. The meteoric expansion of the credit default swaps (CDS) market, too, has introduced new operational backlogs that demand efficiencies, as current capacity is overwhelmed. With expanding interest in multi-asset-class strategies, buy-side firms, in particular, demand more facilities and support for achieving STP. These firms often look to outsource many of their non-core operational and administrative functions to their prime brokers and administrators. Unfortunately, such services are often plagued by a lack of integration with other core systems and data, as well as a general lack of product understanding.

Close: The alternative investments community needs to make the most progress in STP. The hedge fund industry has gotten itself in a bind because of the rapid growth in assets, increased regulation, product innovation and increasing diversity of investors. Instruments and



strategies are becoming more esoteric, with new markets in salmon, freight, emissions and renewable energy. Middle and back offices that have usually been outsourced to prime brokers and fund administrators are at a loss for how to describe transactions effectively, record

them and value them. This is a complex asset class that is more difficult to clear, settle and account for—with pricing often being a particular challenge.

Where has the greatest progress been made in STP?

Feller: The middle and back office has witnessed the greatest improvement because that is where firms perceive the greatest cost-benefit. They don't see it as much in the front office, which will only undertake an STP project to improve the speed with which it can execute a trade that will make it more money. That is the reason for the attention now being brought to derivatives. The market practice of relying on Excel spreadsheets is certainly a good idea in terms of speed to market but it is a great impediment to straight-through processing.

Tsien: Back-office clearing and settlement functions have experienced the greatest progress due in large part to the initiatives of Swift, the Group of Thirty and the Giovannini Group in Europe. Swift has clearly brought the issue of STP to the forefront when it comes to the post-trade process by establishing itself as a messaging and network solution for buy- and sell-side firms. The Group of Thirty and Giovannini reports have highlighted the need for STP in the back office. They call for automation in the post-trade process through reduction in settlement cycles, harmonization of corporate action processes and usage of common messaging protocols.

Galper: Now STP needs to become a responsibility of the front office. Data entry is one of the areas in which the greatest number of errors are made, and this is one of the major causes of failed transactions. The more the front office takes on the responsibility for entering data correctly, the more the securities industry will experience operational efficiencies.

Famighetti: I think the front to middle office has made the greatest progress because they are required to operate on a real-time basis. The back office doesn't have such a requirement because of the longer settlement cycle.

Brackenridge: The front office and some parts of the middle office have enjoyed the greatest progress to date as a function of competition. But firms must be either fully automated or nearly fully

automated, or they cannot compete on price. Regardless of what the brokerage folks say, every firm competes on price. We now see a shift in attention to the back office, which will undergo a transformation over the next two years.

What is the greatest impediment to STP?

Feller: Despite the middle and back offices' progress, they are relying on legacy systems that could be up to 30 years old. These systems are not easy to change because you still have to trade and settle. And let's face it, it isn't exactly career-enhancing for an operations executive to change a back-office system when all he or she needs to do is make a quick fix rather than spending two years and a load of money on the project. So STP in the back office is really the result of stitching together antiquated systems. It isn't the best way to do STP. You could start off with a clean slate, but the support costs are too high in hardware or software.

Close: The greatest impediment is the persistence of poor-quality and poorly managed reference data as well as legacy systems that are inflexible, batch-driven and expensive to enhance. With half an eye on alternative investments, all of this is in an environment where the speed and quality of information and the ability to execute is crucial, where the free flow of information and real-time processing is ideal. Such systems require sufficient flexibility to cope with the addition of new instruments while being robust enough to provide broad, cross-asset-class coverage. The emergence of data and information hubs that glue all of this together with sophisticated data management and reporting technology provides the requisite free flow of information and can give the effect of real-time processing. These solutions represent the pragmatic light at the end of the tunnel.

Sowik: There is a perception among smaller buy-side institutions that the costs of meeting STP and the work involved are too great. Therefore, they never move ahead with technological investments. Of course, there are vendors and fund administrators offering turnkey solutions, but no one is offering the full package of services, and the middle office is not being sufficiently addressed by anyone.

Maier: The lack of integration offered to the buy side is one of the greatest

impediments to achieving industrywide STP. Most buy-side firms have limited budgets and in-house technical competence for large, expensive, middleware deployments and messaging infrastructure.



Gary Maier



Bobu Sontí

tures. There is no one system, prime broker or administrator that can be all things to all people, and the standards, especially for OTC products, evolve slowly. Buy-side firms, especially those who engage in a multi-asset-class strategy, typically employ multiple service providers, most of which deliver their services in a stovepipe manner that prevents integration and drives efficiencies out of the trade life cycle. Tradesway transactions that don't originate with a buy-side firm's prime broker are a classic example of a break in the integration chain that introduces additional operational overhead and risk.

Bonacchi: The question implies that

STP is the end of the road, but it isn't. STP is a continual journey. The securities industry is always evolving, so the minute you automate the trading and processing of a certain financial instrument, another is created. The impediment is that the markets are always evolving, and until a certain critical mass and maturity are achieved, the ability to get to STP is hindered in a number of ways that include lack of standards or competing standards, legacy systems and the difficulty in justifying the investment for non-scale players.

Galper: For smaller asset managers, integrating STP into their processes is cost-prohibitive. Brokers and other service providers need to make a greater effort to provide these smaller managers with electronic tools that link into their existing systems. Unfortunately, offering these tools will not yield major cost-benefits for the service providers but will benefit the industry as a whole.

Tien: I think the impediment is the lack of consistent, front-to-back-office messaging standards and data protocols. For example, market players are too often relying on using the "other" field in Swift MT 56 messages. That means they are really using a free-format, proprietary means of information.

Mayer: Some operations professionals think STP is all about reducing headcount, but Pershing views it as the way of achieving true customer satisfaction through quality—the lack of errors and quicker turnaround times. The way to mitigate such a viewpoint is to leverage metrics to show improvements in transaction performance and, in turn, drive for continued improvements in these areas.

Brackwedde: Since most of the low-hanging fruit has already been picked, the next wave of STP will be more incremental. Identifying those incremental gains and balancing them against project costs will be the biggest challenge for firms that will have to ask themselves where they want to add value. Firms will become more specialized and, in areas where they don't add value, they will either outsource or buy those services from a provider who is in that core business.

What role have messaging standards played in STP?

Feller: Messaging standards normally help STP because they enable operating systems to communicate in a consistent

fashion, but the securities industry still has a key problem. When it invents a new standard it doesn't kill off the old one, and that adds to the number of standards. We should have everyone migrate to the ISO 20022-compliant Swift message standards within five years and not retain the old ISO 15022 standards. The FIX protocol has done a great job in the front office and the Swift message types have dominated the back office; now each wants to own the middle office, which is responsible for allocations. Longer term, we need to converge FIX and Swift.

Power: Messaging standards have helped STP by enabling financial institutions to automate their communications to multiple parties. However, this also requires that all counterparties to a transaction use the same standard. The big question we are now facing is whether we need convergence or cooperation among standards. I don't think there is much of a drive toward convergence, so we are forced to find out how standards such as FIX and Swift will coexist. Beyond that we will also look to the vendor community to fill some of the communication gaps.

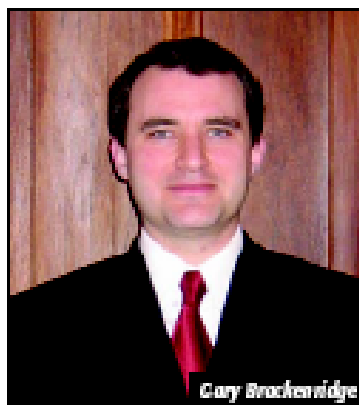
Thien: Messaging standards have facilitated STP for most asset classes, but it is true that having multiple ones leads to market confusion. The solution would be to use the ISO [International Organization for Standardization] standards for all types of transactions, but they are not fully developed for that. In the case of separately managed accounts, for instance, XML [extensible markup language] has surfaced as an ideal standard for communications between fund managers and plan sponsors.

Thorniglow: FIX has merit in communications that are not real-time-driven, such as drop copies of trade activity from a broker-dealer to its clearing firm, or ticket processing. However, FIX is not well suited for real-time trading. It is a tag-based protocol, which means that one needs a decoder ring to figure out what a message means, and each firm has its own flavor of FIX. As a result, Trillium has developed a proprietary communications protocol, known as Hubb, as an alternative to FIX.

Brackebridge: Messaging standards have benefited STP in some fashion, but the true benefits from FIX and ISO message types haven't been as great as anticipated. The reason is workflow differences.

For instance, how I wish to trade as a client versus how my brokerage firm supports trading activity is a level above standards. In trading with new counterparties, one needs to map out and understand the other's trading process—an activity that is not encapsulated within standards, nor should it be. The differences make firms unique and allow them to compete. FIX and Swift will continue to compete in the foreseeable future, and efforts to converge them are a bit misguided. Their convergence will not help the traditional breakpoints between the front, middle and back offices, which can be solved as the back office embraces STP.

Mayer: Messaging standards are only as good as their coverage and adoption. As an abstract statement, of course, standards benefit STP. Practically speaking, however, standards, originating with EDI [electronic data interchange], have been bastardized to suit a given adopter's specific needs. Even in FIX, firms have used comment tags to embed their own processing instructions. XML dialects help by leveraging readily available parsers and making the communication proto-



Gary Brackebridge

cols less cryptic and more readable, but the additional overhead on the wire is not always desirable for processes that must eke out every last bit of performance. Also, while clarity and reuse is the intended goal, the verbosity of languages like FIXML and ISO 15022 has actually slowed adoption. Finally, standards evolve slowly and don't exist for every product or transaction type. Given the growing diversity of needs and competing interests, I'm frankly not a big believer in the idea that some group will invent and agree upon a single canonical stan-

dard, or even a set of standards, that can satisfy all interests. Couple this with the fact that firms have a high legacy of internal standards that tightly coupled processes depend on and that are costly to remove, and you may quickly come to the understanding that a more semantic, language-agnostic, approach to messaging and integration is required.

What remains to be done for cross-border STP?

Fuller: The biggest barrier to STP has been in the cross-border area because of the lack of a common rulebook. There is a European Union, but each regulator wants to protect its territory. It needs to be one trading nation. A European directive on clearance and settlement could help, but by the time it is adopted it is likely to have been watered down through compromise, so it might not achieve anything.

Thien: Good progress has been made over the past decade, but large sell-side players have not made systems changes in support of common market practices. That is because fund managers are not persuaded of the case for standardization. The problem isn't related to cross-border transactions, but is global in scope. Fund managers need to see immediate benefits from STP rather than believing that only the sell side will benefit. Perhaps the sell side should incentivize the buy side by paying for some of the benefits.

Brackebridge: Many bulge-bracket firms have focused on achieving STP, but work remains to be done with second- and third-tier firms that have focused on domestic trading. Unless a firm's clients and counterparties are also equipped for STP, the firm will find itself supplanting manual intervention. The increase in cross-border activity will likely prompt the second and third tiers to embrace STP.

Which parts of your firms are responsible for STP projects, and how do they define return on investment?

Mayer: Every area of our firm—operations, technology, finance—is involved in the process reengineering committee, which I chair. We measure ROI on any new service by the quality and consistency of the execution of transactions from our broker-dealer clients. We monitor error rates, turnaround times and STP rates.

Thorniglow: A lot of the responsibility

falls on our technology group. At this point all of our transactions are done electronically, but we are always trying to improve the way in which we track an order from the time it is sent to the market to the time it is settled. That means having good communications across all of our applications so that the trade cycle can be seamless.

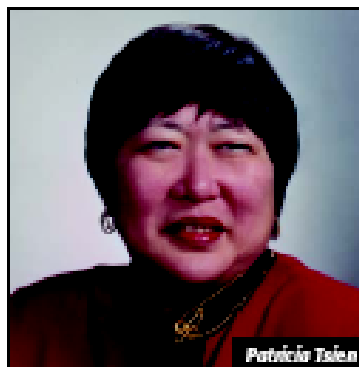
Feller: STP projects are driven by our technology and operations units because they typically require back-office changes. The operations unit says it is under pressure to cut costs, so we automate, and the technology department creates the IT requirements. The ROI definition differs by firm but it boils down to a short-term cost-benefit analysis. On average, 18 months to two years is the maximum timeframe.

Powr: Our operations unit, which heads a steering committee for STP projects, takes the lead role. However, technology and product units are also involved in the decisionmaking process to ensure the correct prioritization. There is no clear definition for ROI. We look at whether projects reduce our need for additional staff or reduce staff. We also look at whether technology costs will be reduced and whether we can leverage technology for multiple uses.

Sowé: In our firm, technology and compliance executives are involved in the decisionmaking process. We try to satisfy our clients and shareholders, of course, but we are often compelled to implement new technology due to regulatory requirements or competitive pressures. When such is the case, we take a back-of-the-envelope approach to measuring ROI, and after the project is implemented we determine whether it was beneficial by evaluating the costs of not completing the project.

Mayer: Our STP projects tend to be driven by the technology organization, though prioritization is a function of business-unit demands. Because we remain closely aligned with the business, we can more readily gauge certain strategic shifts in the business and plan accordingly. As a result, "scope creep" rarely enters the picture, as more frequently occurs in a large, backroom, IT organization. While we have a limited technology team that serves a broad constituency of users, we typically adopt quick delivery cycles and try to remain nimble and responsive to evolving business needs. Our technology

architecture has been explicitly designed to facilitate quick turnaround. As a small to midsize buy-side firm, we tightly con-



Patricia Tsien

trol our budgets, too, so formal ROI metrics tend to be kept to a minimum—except for the longest and most expensive projects that may also require third-party licenses or extended service commitments.

What internal or external pressures are affecting STP projects today, and in what areas?

Mayer: We don't consider them pressures because we take seriously the need to service over 1,100 broker-dealer clients worldwide, who in turn must respond to their customers' expectations. This year we will continue to roll out our NetExchange suite of reengineered services for cash management, transfer processing and retirement account processing. That means that the client-facing investment professional of a broker-dealer can communicate instructions to us through our front-end product and receive an instantaneous response. NetExchange will also provide ongoing status of the request if, for some reason, it was not processed straight through.

Sowé: One of the biggest pressures comes from the increase in trading volume, which impacts the speed at which transactions must be settled. We are working with Omgeo to line up more brokerages to use Oasys Direct so that there are no more paper confirmations. We have a lot of say with brokers with which we transact a lot of business, but smaller brokers either have no access to Oasys or are unwilling to implement. Unless they change, they will find that they will not get the volumes they expect.

Over 80 percent of our fixed-income brokers are on Oasys, with a few exceptions, and we are working with them proactively to make this happen. We would like to see this number at 100 percent before the end of 2006. But there is no surefire way to encourage participation.

Powr: We are being driven by the external growth in the OTC derivatives market, which hedge funds are propelling. We have been very active in the work of ISITC and the Asset Managers Forum to create messaging standards for swaps and are monitoring the DTCC's Deriv-Serv service to determine if and how we wish to connect as a custodian bank and outsourcing agent for our fund clients.

Brackendridge: Our brokerage clients are facing internal pressures to develop new products or systems that will reduce operational costs. They also face external pressures from client mandates and the need to remain competitive. For instance, one of our popular offerings is a software package that allows brokers to automate the "good-till-date" and "good-till-cancel" orders that current platforms cannot accommodate. This enables them to capture new order flow and improve client service while reducing the cost of processing these trades manually. Even though the percentage of such orders is a fraction of total order flow, it constitutes a large percentage of manual intervention.

Tsien: As quality data is a key to enabling STP and is being driven by regulatory requirements, most of the work we have done recently involves improvements in enterprisewide data management.

Clare: One of the key areas that buy- and sell-side firms are targeting is risk management via data centralization. Most fund managers and broker-dealers take a siloed approach to data management, which means they store data in multiple applications based on product type, business line and geography. Doing so does not allow them to obtain a consistent enterprisewide view of the data. Brokerages are finding they need to pull the data into a single warehouse to better analyze their clients' trading patterns and obtain a single view of their exposure to manage credit risk. When they do this, they find, almost as a side benefit, that clients get greater flexibility to trade from the cross-product pooling of credit limits. For fund managers, a central data warehouse hub allows them to compensate for

the inflexibility of back-end systems and progressively solve a whole series of thorny inefficiencies that give rise to operational risk. These issues include the selection, cleansing and distribution of reference data; corporate actions decision management and control; and complex periodic client reporting.

How do you set priorities for STP initiatives?

Power: We look at operational efficiencies and determine the cost of continuing to rely on manual intervention. In doing so, the cream of projects rises to the surface, and we can get the most bang for the buck. However, some projects present opportunity costs, so we cannot boil everything down to financial gain.

Sowle: We rely first on projects that reduce the amount of manual labor. For instance, by implementing Omgeo's Oays, we can eliminate faxing or phone calling with a number of brokers.

Fuller: Projects motivated by regulatory pressures are top of the list. For instance, Regulation NMS and MiFID provide investors with greater transparency, but they also squeeze profit margins for financial institutions. If a firm does not have its procedures automated to reduce its costs to a minimum, it may not be able to survive.

Brackewidge: Our clients are focusing on projects that can help in three dimensions: bringing in new flow to the business unit, cost savings and cost avoidance, or doing more business without incurring more expenses. The projects given priority are the ones that satisfy all three dimensions, and others fall behind.

How will the direction of STP change over the next five years?

Power: You will see a continued col-

laboration among industry groups and a move toward cooperation between standards such as those of FIX and Swift. Because STP is a journey rather than a destination, I think there will always be new securities coming to market that will require in-house solutions, vendor products or a combination.

Sowle: I think smaller fund managers and broker-dealers will get on the STP bandwagon. It may be a huge investment for them, but if they do so, we will have universal STP.

Galper: The remaining 20 percent of the equities business—the smaller shops—will become STP-enabled, and STP will branch out to other asset classes. Also, order management systems [OMS] could play a greater role in the STP process; larger clients will press their OMS providers to integrate more fully with STP vendors, which will benefit the entire industry.

Maier: I am a staunch believer that STP initiatives will extend their reach beyond the internal needs of a single firm or those of only the largest counterparties. The "last mile" connection will finally be extended to the growing community of small and medium-size buy-side institutions without their having to adopt expensive, often complicated middleware or infrastructure. Moreover, the stovepipe model of service delivery will gradually be displaced [by] a fully integrated trade life cycle. As electronic execution expands and brokering margins shrink, due both to alternative sources of liquidity and best-execution oversight, prime brokers, administrators and other service providers will increasingly be judged and compensated on how well they deliver piecemeal services and support capabilities that easily plug into a client's existing platform and suite of services.

Tien: There will be improvements in

STP rates for exotic financial instruments, and regulators will take a greater interest in monitoring failed transactions, as was the case in the U.S. credit derivatives market when the Federal Reserve Bank of New York stepped in. Because of their desire for greater order flow, sell-side firms might also provide incentives for buy-side firms, which are STP-enabled, in the form of lower commissions. Regulations such as NMS and MiFID will also de facto mandate STP; firms must be able to retrieve an assortment of pricing information quickly from multiple trade execution venues and store that information correctly. That can only be achieved through automation.

Famighetti: The next STP initiatives will be driven by any regulatory intervention to reduce settlement cycles. Reg NMS will also require firms to enhance their order management capabilities because of the growth in message traffic.

Close: It will probably take the next five years for the alternative investments community to sort out how it will address STP. They will likely be increasing their use of centralized platforms such as SwapsWire and DTCC's DerivServ. Omgeo is also expanding its reach into the hedge fund community, which will benefit from increased matching and confirmation rates. In the case of funds of hedge funds, we could witness the development of centralized platforms, such as the National Securities Clearing Corp. for mutual funds.

Brackewidge: STP will evolve from an industry rally to reduce manual processing to a basic tenet of sound business planning for product development, client sales and provider selection and integration. Akin to risk management, it will merge into the fabric of most organizations as a solid business principle. ■

Netik

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Securities Industry News

January 9, 2006

What Makes Markets

www.securitiesindustry.com

Outsourcing Grows Up

Asset managers reassess options, custodians respond

By **CHRIS KENTOURIS**
Senior International Editor

Outourcing of investment operations, a growing revenue stream for some of the world's biggest custodian banks, faced a reality check in 2005: F&C Asset Management in November called off an expanded relationship with Mellon Financial after a one-year engagement. In June, Schroders had taken the even more dramatic step of terminating an agreement with JP Morgan Worldwide Securities Services, the custody arm of JP Morgan Chase & Co., four years after its signing.

But these setbacks aren't likely to send fund managers back to doing all of their securities processing in-house. They only signal that the dynamics of the outsourcing agreements, often framed in terms resembling those of a marriage or partnership, will need to change. Both customer and vendor will have to pay closer attention to their long-term compatibility early in the decision-making process, mutually recognizing that outsourcing isn't a panacea for reducing fund manager costs.

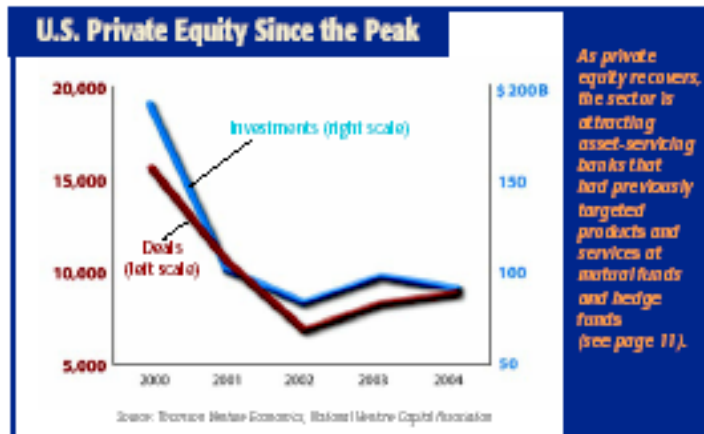
"As these outsourcing services modernize and technology enables us to assemble components better—to manage the investment supply chain better—it will be very difficult to move the pendulum back toward an environment where a one-stop shop can produce components better and cheaper than the specialist outsourcing providers," says Dan Houlihan, managing partner at buy-side consultancy CitiSoft, based in Boston. "Instead there will be a fundamental shift in the paradigm, where expectations meet deliverables."

Outsourcing in the fund administration arena is nothing new; the term has been used by fund managers and banks alike for well over a decade. What is new

is the extent of the services. Functionally, it ranges from a minimum of basic fund accounting and custody to the maximum of a "lift-out"—taking control of an investment manager's entire middle- and back-office operations including employees and information technology platforms. Although outsourcing as a concept originated in the U.S., U.K. fund managers have been quicker to push the limits of comprehensive relationships.

RBC has added each of CI's four acquisitions to its platform.

Paul Turrell, global managing director for financial services with outsourcing consultancy TPI in Houston, agrees that too often the anticipated savings are not realized because the baseline costs are underestimated. "Some organizations do not incorporate all of the key fundamentals of the financial business case, such as the cost of due diligence, negotiating the contract,



Rob Wright, managing director of global fund services for RBC Global Services, the custody arm of Royal Bank of Canada, says that his unit has compiled a profile of an ideal client: It isn't one that values cost-reduction alone. "More attention is now being spent on whether the relationship between the service provider and its client can withstand a change in the client's future business model," says Wright. RBC, for one, has been working with CI Mutual Funds in Canada for the past four years as a fund administrator;

governance and transition," he says.

Turrell recommends that fund managers ask themselves several questions before progressing on an outsourcing deal that encompasses middle-office functions: Is their business objective to reduce operating costs, refocus on core competencies or improve the underlying processes? Will outsourcing specific middle-office functions help to achieve those goals, and what is the appetite for risk? Liability for risk, he notes, cannot be shifted to the service provider.

TPI has devised what it calls an asset manager's service delivery framework—a structured process for analyzing the pros and cons of outsourcing and of any service provider competing for the business. "A quarter of the assessments do not lead to a transaction, which might otherwise fail if consummated," says Turrell.

Sometimes doing nothing is the right thing, even if it generates short-term embarrassment. Mellon, for one, expected to add on the servicing of the Isis funds as well as the original F&C complex, which was its flagship outsourcing client in the U.K., after F&C merged with Isis in 2004. But bank officials acknowledge that the extent of the services they agreed to offer the larger F&C became a shifting target after the merger. When the new F&C could not agree on expectations, it became impossible for Mellon to tabulate a fixed price without putting the firm at financial risk.

"There were a lot of details about the boundaries of the services that remained unclear because of new front-office systems," says John Klink Jr., president of Mellon's investment manager solutions business, which services 24 clients in total.



Conrad Kozak

Mellon is supplying an array of services to F&C even as some of the former Isis assets are being handled in-house.

As for the dissolution of JP Morgan's life-out agreement with Schroders, Conrad Kozak, head of JP Morgan's fund administration and custody business, likewise says: "In any complex transaction you may find that circumstances change and you need to step outside a contract. With Schroders we found that it wasn't a good fit and will



Dan Hoffman

continue our long-standing relationship to support them for custody, accounting and other services." Schroders staff have been transferred back to their posts.

The change in circumstances, say industry players, included a new chief technologist, Markus Ruehmann, who renegotiated Schroders' contract with JP Morgan, signed in 2000.

As margins in traditional custody have shrunk, banks have looked to fund management outsourcing as a way to generate revenue and retain those buy-side customers. But in their overeagerness to gain, or buy, market share, the custodian-outsourcers overpromised and paid a price. "There were too many service providers chasing too few clients, so there was an overcommitment on the part of custodian banks," commented Rick Wills, SVP in charge of global fund services at Northern Trust Corp., which is in the midst of completing the outsourcing of Julius Baer Investment Ltd.'s operations in London. "The market dynamics have changed now. There is more eagerness on the part of fund managers to outsource with fewer capable providers."

While there may be more life-out deals in the next year or two, that approach is nearing the end of its shelf life, suggests Stella Vangueraine, managing director and head of U.S. sales and marketing for Bank of New York's SmartSource outsourcing division. "We have been saying for a long time that we don't subscribe to the life-out model in itself because it is not scalable," she notes. "However, it could be a means to an end. There will be more deals that have incremental efficiencies and benefits to the fund manager over the longer term."

Recent Outsourcing Deals

Asset Manager/Service Provider

Allianz Dresdner Asset Management/ State Street

Back-office functions: Custody, fund accounting

Middle office: Securities pricing, account performance calculations, record retention, reporting, daily position reconciliation

Axa Investment Managers/ State Street

Back-office functions: Fund Administration, fund accounting

Middle office: Performance measurement, investment operations support

Julius Baer Investment Management/ Northern Trust

Back-office functions: Fund accounting

Middle office: Full trade support, client reporting, performance measurement services, cash management including foreign exchange

Portfolio Managers Ltd. (Morley Fund Management, Australia)/ JP Morgan Chase

Back-office functions: Fund accounting, fund administration and custody

Middle office: Trade matching and instructions, daily holding and transaction data, daily valuations and cash flow reporting, month-end tax accounting and reporting

Source: TPI

Coinciding with the reevaluation of life-ons is the need for service providers to temper their expectations. Of course, providers would love to sell their full suite of services to every client. But many recognize that flexibility in their service models will be crucial if they are to expand their client bases. They are moving toward a more modular stance.

"Both the outsourcers and firms that are outsourcing have gotten smarter and started to figure out where the true benefits are going to be," says Citicorp's Houlihan. "As opposed to just lifting out the entire processing office, now they are considering what they want to outsource that will give true immediate benefit, so it is less wholesale and more piecemeal."

In doing so, providers have had to expand their range of services from clearing and settlement into the middle-office area that includes trade matching, compliance, reporting, performance analytics and data warehousing—functions that allow investment managers to interpret and manipulate data from multiple sources and platforms in almost real time and to reconcile transactions conducted by the fund managers with positions recorded by the service provider.

It's little wonder, then, that some fund-supporting banks have acquired technology firms—as is the case in BNY's 34 percent stake in data warehousing specialist Netik and Mellon's takeover of Lyle Software—or entered into marketing alliances such as State Street Corp.'s promotion of DST International's data warehouse.

Indeed, a dynamic data warehouse acting as a hub for both data management and investment information has

proven to be a crucial bit of technology that enables a successful transition to outsourcing. "For providers, the dynamic data warehouse facilitates the progressive and seamless transition from the life-out to their common processing platform, which they must achieve to yield



economies of scale and ongoing profitability, says Netik chief technology officer Colin Close. "For investment managers, such a data warehouse presents them with considerable flexibility to evolve the transition to outsourcing at a pace that suits them and gives them power over their outsourcing providers."

According to Close, that power involves the ability to monitor service-level agreements more effectively and to hold open the threat of changing providers or introducing new providers for particular services.

But the expansion into the middle office requires customization. "There is no

way a firm can eliminate customization entirely, so there needs to be an appropriate balance between standardized services and customization," says JP Morgan's Kosak.

TPI's Turrell calls the middle office "the new back office" of outsourcing, albeit with some reservations. While the rationale for the middle office—reduced cost and competitive advantage—parallels that of other outsourcing projects, the benefit in middle-office services is more limited. Therefore, Turrell does not expect middle-office outsourcing to follow the rapid growth of back-office outsourcing; instead it is likely to be bundled into a package of back-office services, rather than standing alone. That, in turn, could make the total package more attractive to the client.

As the outsourcing model matures, the industry can expect to see more deals being signed by mid-tier managers, with \$10 billion to \$75 billion under management, says Northern Trust's Wills. "We haven't seen outsourcing really move down the size chain as yet," he says. "Outsourcers wanted to gain scale rapidly, so the focus has not been on the smaller and medium-size manager, who I think actually has the most to gain from outsourcing," Wills explains.

According to Wills, that is because those firms are more interested in rapid growth than cost reductions and are willing to adapt to the technology offered by the service provider, rather than requiring the service provider to incorporate the fund manager's platform. Among the services Northern Trust has seen a greater interest in are post-trade reconciliation and corporate actions processing. ■

Netik

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Securities Industry News: Netik enters Nordic Region

Nordic Region Fertile Ground for Custodians

By Chris Kentouris

October 17, 2005 -

A global custody alliance between Bank of New York and Scandinavia's largest regional bank, Nordea, underscores how the securities processing landscape is changing in the Nordic region.

Local banks are realizing they can't go it alone for long in a business that is rife with consolidation and competition, and affiliations with global players such as BNY or even regional neighbors are becoming the norm. The few organizations willing to expand on their own are faced with the need to invest significantly in technology to offer seamless and direct connectivity to Nordic market infrastructures.

"The local Nordic players must expand internationally if they are to satisfy pension funds and other buy-side firms that are investing more outside their home markets," says Anne-Lise Winge, director of European sales for Chicago's Northern Trust Co. "Such affiliations allow global custodians, in turn, to enter the market directly or via their Nordic partner."

The need for operational efficiency goes hand in hand with asset diversification. Local buy-side firms are likely to choose providers that can interface with their systems and offer connectivity to such third parties as Omgeo, the post-trade communications joint venture of Depository Trust & Clearing Corp. and Thomson Financial.

Northern Trust scored a coup in the Nordic region in September 2004 when it secured a custody services mandate for Folksam of Sweden's \$17 billion in insurance and mutual fund assets. It was the first time a global custodian had entered the market through a partnership with a local trustee--Svenska Handelsbanken--and Northern Trust became the first nonresident institution allowed to act as custodian for local Swedish mutual fund assets.

Working with Norwegian regulators, Northern Trust has been able to enter into similar arrangements with mutual fund companies in Norway and is hoping to do the same in Denmark and Finland. Mutual fund companies have been legally limited to using only a local custodian for trustee services.

By contrast, in its relationship with BNY, Stockholm-based Nordea retains control of its customer relationships. "It was a condition with any partner that Nordea be the first line

of contact for the client," says Birger Gezelius, Nordea's director of financial institutions business. BNY won the Nordea partnership over eight rivals.

The deal calls for BNY to offer through Nordea more than just safekeeping services-- securities lending, transition management and commission recapture are key. "The Nordic client base is becoming more sophisticated and demanding--clients need operational efficiency, and that means STP [straight-through processing] technology," says Frank Froud, managing director of BNY in the Nordic region. "Integrated reporting was also a driver, as the affiliation with BNY enables Nordea to provide a single report and consolidated view of their domestic and international holdings."

While efficiency is a common focus in global-local custody alliances, it is more complex for Nordea because, as the product of four cross-border mergers, the bank has multiple domestic custody platforms. BNY operates with a single portal, its underlying feature a data warehouse called InterView 7 from software vendor Netik, in which BNY holds a 51 percent stake.

Neither BNY nor Nordea officials would comment on how many of Nordea's agent banks BNY will replace, or when or even whether BNY will replace any of its own local agents in the Nordic region. However, Nordea confirmed that it will retain Brown Brothers Harriman as its local agent bank in the U.S.

BNY, which relies on Nordea for some of its Nordic business, would not disclose which other providers it uses; SEB is presumed to be another. SEB officials declined to comment specifically on the BNY-Nordea tie-up, but they have had successes of their own, winning 23 mandates last year. Of those, 19 were for cross-border services.

"We started implementing a single system solution for the Nordic region in 1999," says Mikael Bjrknert, global head of securities services at SEB. "The final assimilation was achieved in early 2004, and we can now offer our clients full connectivity and automation."

He acknowledges that foreign banks will continue to attract top-tier players, but says there is plenty of room for local providers to grow. "It's very much a game driven by technology and scale," Bjrknert notes, adding that his bank has lost some custody mandates to foreign players.

With the integration of all Nordic exchanges onto a single trading platform, OMX's Saxess, and the merger of the Swedish and Finnish depositories, it has become essential for a local custodian bank to cover the region or at the very least establish some type of alliance. Local and international investors alike are demanding a single, low-cost point of entry; DnbNor, for one, is part of a pan-Nordic custody alliance consisting of OKO Bank in Finland, Amagerbanken in Denmark and Swedbank in Sweden. Meanwhile, Denmark's Danske Bank has opted for direct links with depositories in the area.

But even as Nordic custodians adapt to the changing terrain, they are engaged in a fierce battle for market share in an environment unlikely to sustain all of them going forward. Domestic custody fees have fallen in recent years, putting pressure on profits and increasing the likelihood of mergers.

"The regional banks have built up a strong presence in the region, and the fact that they have on-the-ground presences and preexisting relationships with local institutions gives them a significant head start," says Keith Hallman, senior sales manager for the Nordic region at ABN Amro Mellon Global Securities Services, which was appointed sole custodian to the EUR16 billion (\$19 billion) First Swedish National Pension Fund last year. "But you don't have to be based around the corner to provide services. Local institutions investing globally realize that global custodians can offer services that are attractive."

Some observers believe that more consolidation and harmonization of the Nordic financial services infrastructure is necessary before further foreign interest can be generated. Local banks have already made their operations as lean as possible, but the region remains pricier than most of Europe is for global custodians.

Speaking at the Swift messaging cooperative's Sibos conference in Copenhagen last month, Bjørnert said, "The region has succeeded in consolidating its stock exchanges, and more is needed in the clearing and settlement arena."

The creation of the Nordic Central Securities Depository Group (NCSD) from the merger of the Swedish and Finnish depositories is a step in that direction; the two depositories account for about three-quarters of the Nordic region's turnover. But their Denmark and Norway counterparts are holding out, and there is no indication when or whether NSCD will move onto OMX's new depository platform, Exigo, as had been initially envisioned.

For all their claims to wanting efficiencies, local players aren't eager to switch to yet another system after spending millions to adapt to the new Swedish and Finnish depository systems, NewClear and HexClear, respectively.

Securities Industry News: BNY Launches Data Warehouse for Fund of Hedge Funds

BNY Launches Data Warehouse for Funds of Hedge Funds

By Chris Kentouris

September 2, 2005 -

Bank of New York is set to announce Monday at Swift's annual Sibos conference in Copenhagen that it has expanded its relationship with software vendor Netik to incorporate a new data warehouse for managers of funds of hedge funds.

"Through the new enhancement to BNY's hedge fund platform Praeco, fund of fund managers can benefit from automated order entry, consolidated reporting, workflow management, position maintenance at a tax-lot level, document storage and data enrichment," says Tim Murphy, managing director of BNY's fund administration business in Dublin.

BNY purchased a 51 percent stake in London-based Netik last year. Six offshore funds of hedge fund clients BNY administers out of its Dublin office are already using the new data warehouse, as are several out of BNY's New York headquarters. An additional five will come on board by the end of the year, says Murphy.

Position maintenance at a tax-lot level--by individual transaction--assists managers of funds of hedge funds in calculating performance fees. BNY has already been using Netik's Interview7 within its outsourcing unit for traditional fund manager clients. It relies on Interview7 for middle- and back-office work--such as multiparty reconciliation--for single hedge funds.

BNY, which administers \$63 billion in hedge fund assets, inherited the Praeco platform through the acquisition of International Fund Administration three years ago. Until now most of its functionality has been limited to middle- and back-office work.

Currently, fund of hedge fund managers must send BNY instructions on subscriptions and redemptions via fax, which BNY also forwards to transfer agents of underlying funds via paper. Netik's Interview7 software will allow BNY to electronically enrich trade instructions with information from an underlying data repository and third-party systems. In doing so, Praeco will extend the deadlines of fund of fund managers for executing orders closer to settlement deadlines. Praeco links to about 150 hedge fund transfer agents.

Netik's Interview7 has more than 40 buy-side, prime brokerage and fund administrator clients, which in addition to BNY include HSBC, Fortis and PFPC. Funds of funds, which account for about a quarter of the hedge fund market, attract the most attention from hedge fund administrators such as custodian banks because they are popular with institutional investors. Individual hedge funds typically do the work in-house or hire independent nonbank agents.

Hedge World: Netik Boosts BoNY HF Admin Capabilities

Data Warehouse Boosts BONY Hedge Fund Administration Capabilities

By Chris Clair, Senior Financial Correspondent | Wednesday, September 07, 2005

NEW YORK (HedgeWorld.com)—The Bank of New York is rolling out what it calls a data warehouse for funds of hedge funds that it believes will further enhance its hedge fund administration capabilities by consolidating data and making it more accessible.

The warehouse, which has been developed in partnership with software firm Netik, will store hedge fund transaction and reporting information within the bank's hedge fund technology platform, known as Praeco. Among the information to be stored in the warehouse will be data about fund structures, financial statements, contact information for parties of interest and dealing forms.

Bank officials said the warehouse will offer consolidated reporting and distribution, transparent trade flow management, document management capabilities and position maintenance at the tax-lot—or individual transaction—level, information that is useful in helping funds of funds calculate performance fees.

Brian Ruane, executive vice president at the bank, said BONY has begun to offer the data warehouse and its attendant functions to existing clients and expects the product to be



fully available by the end of the year.

"The development of this pioneering data warehouse showcases our strategic focus on providing innovative, end-to-end technology solutions that improve the effectiveness and efficiency of our hedge fund clients," Mr. Ruane said in a statement.

BONY acts as administrator to more than US\$65 billion in hedge fund assets. Last year the bank bought a 51% stake in Netik.

DM Review: Performance Explorer



Performance Explorer from **Netik** offers an information portal function with the capability to slice and dice and drill down on performance information. Netik is now able to provide ready access to performance attribution and return data from any third-party calculation engine. Leveraging the Netik InterView Data Warehouse, this data is placed in close proximity with portfolio accounting information as well as third-party benchmarks, economic data and risk analytics, in a manner that delivers strategic intelligence to a firm's executive team and therefore greatly improves their ability to understand what drives their business.

www.netik.com

Global Custodian: Performance Explorer

NEWS

17 May, 2005

Netik Enhances InterView Information Portal

Netik, the Investment Hub specialist, announced a significant upgrade to the Netik InterView Information Portal with the release of the Performance Explorer.

Targeted at Investment Analysts, Risk Managers, Chief Investment Officers, COO's and CEO's, Netik InterView's Information Portal, now including the new Performance Explorer, delivers flexible multi-dimensional inquiry views that allow authorized users

the ability to follow a train of thought in their complex quest to understand their business by drilling into attribution and return data. These decision-making executives now have a tool that helps them address "How did I do?", "Why did I do?" and "What should I do"? The experience of using Netik InterView is now a truly interactive process of analyzing and exploring information to discern trends and patterns, thereby deriving insights and allowing conclusions to be drawn.

John Wise, CEO of Netik states: "The 'Chiefs' need not fly blind. It is within their grasp to gain access to high quality decisional information derived from aggregating internal and external data - no matter how many sets of infrastructure there are in a firm supporting multiple trading desks, divisions and subsidiaries".

The New Performance Explorer enables executives to quickly analyze the variance in movement in AUM between points in time slicing and dicing money weighted rates of return. Also, it also to view the variance analysis to determine what has produced the increase/decrease in AUM, market movement, investment income, cash inflows/outflows (mandates won/lost) and fund manager effectiveness.
<http://www.globalcustodian.com/main.jsp?type=newsshow&id=14211>

Securities Industry News: Performance Explorer

BREAKING NEWS

Systems & Services

May 23, 2005 - Every week, *Securities Industry News* compiles and gists the technology and operations announcements of the week: those that strike us as useful, important or simply interesting, as many as time and page real estate allow. The feature was bumped from this week's print edition to make room for breaking news, but we reproduce it here for continuity's sake.

JPMorgan launched a proprietary online algorithmic trading monitor--a Web interface, integrated into the firm's existing pre-trade analytics suite, that allows users to track strategy performance in real time from a Web browser.

SunGard Data Systems has launched a trade management solution for post-trade straight-through processing (STP), called Mint Trade Management. The new platform integrates the firm's SteP matching, reconciliation and exceptions tools and can be integrated with various financial networks--including SunGard's Transaction Network (STN), naturally.

Investment hub architect **Netik** said it has upgraded its InterView Information Portal with a new feature called the Performance Explorer, a browser-based performance

STP Magazine: Colin Close Thought leadership

TALKING POINT DATA WAREHOUSING

No need to fly blind

High quality information is within the grasp of CIOs

As I sat at 35,000 feet in a 747 drafting this article, I caught myself thinking how dreadful it must have been in the "olden days" of flying when pilots found themselves in the midst of total cloud-cover: complete white-out conditions when the only way to determine which way was "up" was to open your mouth slightly and see which way your dribble ran.

In the first few decades of aviation flying blind in this way must have caused much anxiety. Today, of course, this is no longer a problem thanks to modern cockpits that bristle with instruments, information systems and feedback mechanisms by which the pilot can both set and maintain his course.

These seemingly random thoughts got me pondering the high number of firms in the securities investment industry that are flying relatively blind because of the lack of investment in information systems and feedback mechanisms for their business. Integrated information architectures are a rarity, as is the whole notion of gathering, and then providing access to, strategic intelligence.

Recently I read about the challenges facing the recently appointed CEO of the investment management subsidiary of a European bank. He had determined that his considerable franchise in the US was fragmented and weakened by the fact that it was split into three separate companies -- an alternative and traditional manager, a value manager and a multi-manager specialist. He had decided to push all of this together into a single company with a new unity of purpose and a new management structure. Unusually, he had decided to split the role of chief investment officer in two and have one CIO for equities and another for fixed income. Now there is an information nightmare here. Three sets of portfolio management infrastructure are being collapsed into one at the same time as the process of investment policy-making is re-engineered along an asset class dimension.

The scenario reminds me of the aviator flying blind. For example, if a rating agency asks this firm for corporate-wide assets under management by asset class, exposure to high yield and total fees paid, I suspect that it would be extremely difficult to get hold of this information quickly and accurately. It is likely that the request will require off-task involvement of expensive staff such as performance measurement, portfolio, operational

and systems management. The three original subsidiaries' asset groupings are likely to be inconsistent with the rating agency's segmentation, plus it is likely that they do not define high yield in the same way. With no central system to gain access to the information, this simple request will generate a hugely disruptive exception process at the operational level in the business.

This scenario is typical of our industry. The legacy of building firms through acquisition creates companies with subsidiaries that are geographically dispersed, using applications and technologies from very different managerial traditions. Such companies demonstrate a lack of a firm-wide integrated information architecture that in turn means that they lack access to the fundamental business information that drives the firm's investment decisions.

The only solution to this problem is a dynamic enterprise data warehouse implemented right at the heart of investment operations. The increased analysis speed and improved information quality that arises from a data warehouse enables more insightful analysis and permits more rapid, better informed choices to be made with higher levels of confidence. These capabilities result in better investment decisions and, ultimately, better investment performance.

To be successful in the complex securities industry, an enterprise data warehouse must have a very specialised data model at its core. This data model must be specifically engineered for wide functional coverage, for scalability and resilience and to operate with light-speed performance both for loading data and providing immediate flexible access to it.

The "chiefs" need not fly blind. It is within their grasp to gain access to high quality information that derives from aggregating internal and external data, no matter how many sets of infrastructure there are in a firm supporting multiple trading desks, divisions and subsidiaries. All that is needed is a data warehouse to treat and manage strategic data as a corporate asset.

Increased analysis speed and improved information quality delivers more insight and better judgement. These capabilities result in better investment decisions and better investment performance. The data warehouse enables the firm to enhance its core competencies so that the company's business objectives are more likely to be achieved.

Colin Close is COO at Netik



By Colin Close

February 2005

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STP Magazine

massingPR
THE DATA OBSERVATION

STPZone: Performance Explorer

19/05/2005 PRODUCT LAUNCH Netik adds browser based drill down capability to InterView Information Portal

Performance Explorer function is designed to meet the needs of senior executives within investment management firms, who are increasingly demanding swifter and more flexible access to information about the performance of their businesses, Netik says

Netik has upgraded its InterView Information Portal with the release of Performance Explorer, a browser function to enable investment analysts, risk managers, chief investment officers, COOs and CEOs to drill down on performance measurement and attribution information. According to the vendor, Performance Explorer complements the existing options for hard copy and PDF reporting of performance measurement data already available in Netik InterView. The new function is currently being used by two of Netik's investment management clients.

Via Performance Explorer, Netik is able to provide easy access to performance attribution and return data from any third party calculation engine, it says. Leveraging the Netik InterView Data Warehouse, this data is placed in close proximity to portfolio accounting information, as well as third party benchmarks, economic data and risk analytics, in order to provide strategic intelligence to an investment firm's executive team, the vendor claims.

Colin Close, COO at Netik, told stpzone.com that today much of the performance information to which senior executives within investment firms have access is hard copy based and inflexible. "What we have found with our increasing number of major investment manager clients is that the seniors are looking for swifter access to better quality information – and to different flavours of information in one place," he says. "Different flavours include investment accounting information and risk and performance information, combined with their own assessment of budgets, for example, all brought together into a dashboard via which they can drive the business. Netik InterView is at the heart of these organisations, taking data from all of the different sources, and Performance Explorer creates a graphical, information led window on to that data."

There continues to be a role for the traditional performance measurement and attribution engines, Close continues, but he adds: "It is a huge overhead to calculate from the floor up performance measurement and attribution. It takes a long time and the way in which these engines output the information is fairly rigid, and doesn't enable users to drill down into it. We can take the information from the engines and make it flexible, transforming it into more MIS type information."

According to Close, many senior executives within investment management companies have become accustomed to operating on the basis of woefully inadequate information about the performance of their businesses. “One of our prospect customers told us that his team spends four hours a day doing data management in order to establish investable positions,” he says. “The CEO of an investment firm needs to be able to put his arms around the movement of his assets under management, to understand why they move up and down. He needs variance analysis, and to understand the flows that have happened since he last looked. Why are outflows happening? Are clients withdrawing money to cover personal liabilities or are they moving their mandates? It is remarkable that until now it has been so difficult for executives to get access to this information, and with Performance Explorer in conjunction with the Information Portal, we are seeking to make the process easier,” Close concludes.

Finextra: Performance Explorer

Netik upgrades Interview Information Portal

Published:
17 May 2005

Netik, the Investment Hub specialist, announced today a significant upgrade to the Netik InterView Information Portal with the release of the Performance Explorer.

This new Information Portal function revolutionizes the way Performance Measurement and Attribution information is presented via the browser. The new capability to slice and dice and drill down on performance information compliments the already rich array of hard-copy/PDF reporting of Performance Measurement data that exists in Netik InterView today.

Performance Measurement is a critical gauge of portfolio strategy effectiveness and Netik's Investment Management clients are demanding ever more flexible tools with which to analyze such data. Netik is now able to provide ready access to Performance Attribution and return data from any third-party calculation engine. Leveraging the Netik InterView Data Warehouse, this data is placed in close proximity with portfolio accounting information as well as third-party benchmarks, economic data and risk

analytics, in a manner that delivers strategic intelligence to a firm's executive team and therefore greatly improves their ability to understand what drives their business.

Targeted at Investment Analysts, Risk Managers, Chief Investment Officers, COO's and CEO's, Netik InterView's Information Portal, now including the new Performance Explorer, delivers flexible multi-dimensional inquiry views that allow authorized users the ability to follow a train of thought in their complex quest to understand their business by drilling into attribution and return data. These decision-making executives now have a tool that helps them address "How did I do?", "Why did I do?" and "What should I do"? The experience of using Netik InterView is now a truly interactive process of analyzing and exploring information to discern trends and patterns, thereby deriving insights and allowing conclusions to be drawn.

John Wise, CEO of Netik states: "The "Chiefs" need not fly blind. It is within their grasp to gain access to high quality decisional information derived from aggregating internal and external data - no matter how many sets of infrastructure there are in a firm supporting multiple trading desks, divisions and subsidiaries."

Wise continues "When Netik InterView's dynamic Enterprise Data Warehouse is implemented right at the heart of Investment Operations it has profound effects on the Investment Company's capabilities to adapt and respond to rapidly changing conditions. This results in better investment decisions and, ultimately, better investment performance."

The New Performance Explorer enables executives to quickly:

- Analyze the variance in movement in AUM between points in time - slicing and dicing money weighted rates of return
- Variance analysis to determine what has produced the increase/decrease in AUM
- Market movement
- Investment income
- Cash inflows/outflows (mandates won/lost)
- Fund Manager effectiveness
- Analyze performance
- By "standard" composites - Client type (e.g. Life, Segregated, Mutual Funds), by Mandate, by Fund Manager
- By ad hoc (on-the-fly) composites/groupings
- Equally weighted or sized weighted
- Gross of fees or net of fees
- Slice and dice - drill down

The experience of using Netik InterView is now a truly interactive process of analyzing and exploring information to discern trends and patterns, thereby deriving insights and allowing conclusions to be drawn.

Bobsguide.com: Performance Explorer

PERFORMANCE MEASUREMENT GETS DRILL DOWN; NETIK LAUNCHES PERFORMANCE EXPLORER TO THE INFORMATION PORTAL OF NETIK INTERVIEW INVESTMENT HUB

New York and London, May 16 , 2005—Netik, the Investment Hub specialist, announced today a significant upgrade to the Netik InterView Information Portal with the release of the Performance Explorer. This new Information Portal function revolutionizes the way Performance Measurement and Attribution information is presented via the browser. The new capability to slice and dice and drill down on performance information compliments the already rich array of hard-copy/PDF reporting of Performance Measurement data that exists in Netik InterView today.

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Institutional Investor Magazine: Feature Article

Attracting A Crowd

[Source: Institutional Investor Magazine, Americas and International Editions](#)

Heather McKenzie

Just as custodians are seeing a long-awaited pickup in outsourcing, brokerage processors and hedge funds are throwing them a curve.

For years top global custody banks have been expecting a wave of outsourcing business from institutional customers. They've added services. For example, J.P. Morgan Chase & Co. in 2002 acquired transaction cost analysis specialist Plexus Group. And they've added technologies. Bank of New York Co. last year bought a stake in data warehouse systems company Netik. The aim was to offer more than plain-vanilla custodianship.

Bit by bit, buy-side firms have been showing signs of coming around. In December, for instance, AXA Investment Managers awarded an extensive administration and operations mandate to State Street Corp.

But even as custodians campaign for such big prizes, they face unanticipated challenges and threats -- traceable at least in part to hedge funds.

To satisfy their growing number of institutional investors, hedge funds will have to meet increasingly stringent requirements for "operational and infrastructure excellence," according to a study that BoNY commissioned last year from Stamford, Connecticut, consulting firm Casey, Quirk & Acito. To do so, they need state-of-the-art systems for trading, portfolio accounting, asset valuation and risk management, as well as provisions for disaster recovery.

How readily hedge funds will invest in these capabilities remains to be seen; many are content with the operational support they get from prime brokerages.

The top custodians, however, have all the necessary capabilities, which they routinely make available to their established buy-side clientele. What's more, BoNY, Citigroup, HSBC Holdings, J.P. Morgan and State Street have all acquired hedge fund administration businesses in recent years as a means of entrée into the alternative-investment arena.

But can these custodians expect to extend their outsourcing reach as the hedge fund market matures?

Not necessarily, and certainly not over the long term, says Imran Gulamhuseinwala, a London-based Mercer Securities consultant and author of an October 2004 report, "Securities Servicing: Profiting from Outsourcing and Operational Risk," published jointly by Mercer Securities and Lazard. Gulamhuseinwala sees custodians encountering more and more competition from both prime brokerages and another technology-savvy group: correspondent clearing firms.

For the moment, those rivals aren't going after the basic back-office functions of custody and safekeeping. "Clearers and prime brokers have very robust growth prospects in their existing businesses," says the consultant. However, as these entities respond to their core clients' growing demands for data and operational sophistication, they will likely start branching out, as the custodians have already done, and will compete more directly with one another.

Some think a new breed of service provider straddling these historically distinct marketplaces might emerge. One candidate: Penson Worldwide, a Dallas-based holding company that through a number of subsidiaries offers a laundry list of front-, middle- and back-office support services, ranging from analytical market data to trade execution to custody and clearing and settlement.

"It is absolutely accurate to say that correspondent clearers, prime brokers and custodians do fundamentally the same things for different types of clients," says Chris Gregory, managing director of Penson's U.K. clearing unit, Penson Financial Services. "To a large extent, the differences are breaking down at the client level -- clients are making demands for very specialized services."

Take, for example, Penson's outsourced service for KBC Peel Hunt, a London brokerage owned by Belgium's KBC Group. Under a November agreement, Penson serves as a "nominee under mandate" for all U.K. equities, responsible for the registration and transfer of securities, including the delivery of physical certificates to the Crest settlements system.

Peel Hunt CEO Timothy Cockroft describes the outsourcing deal as a "strategic move" and praises Penson for its "flexible approach, industry experience and leading-edge technology solutions that are unparalleled in the market."

A clearer like Penson begins with a foundation of transaction processing services for agency and online brokerages that are executing for clients rather than holding their own positions. Although Penson is clearly branching out -- last July it acquired Irvine, California-based trading technology company Nexa Technologies, and in January it added Great Falls, Virginia, market database firm Tick Data -- Gregory says there are limits to how many lines a securities servicer will ultimately cross. For instance, global custodians alone have the heft to meet the basic custody needs of institutional pension funds, and only prime brokerages have the research and blue-chip investment banking products that a long-short hedge fund requires.

Penson is not the only company bolstering its credentials as a more diversified outsourcing provider. In November, Roseland, New Jersey-based Automatic Data Processing's brokerage services unit paid an undisclosed sum to acquire the U.S. clearing and broker-dealer services businesses of Bank of America Corp., now dubbed ADP Clearing & Outsourcing Services.

In adding the BofA business, ADP has rounded out what it terms a three-tier strategy: its traditional back-office brokerage operation; correspondent clearing services, in which customers rely on ADP's capital for financing; and operations outsourcing. The latter "lets [self-clearing] customers buy technology services and processing staff from us without having to use our balance sheet to finance their positions," explains Clarke Gray, chief administrative officer of the ADP unit.

Are the traditional custodian-outsourcers concerned about such encroachment?

Neil Henderson, senior vice president of securities processing and fund services at J.P. Morgan Investor Services, acknowledges that competition is on the rise. "The traditional focus of global custodians has been long-only pension funds," he explains. "But these have recently expanded into more aggressive investment strategies -- including hedge funds."

To rise to the occasion, Henderson points out, "custodians have spent a good deal of money and time developing a range of services tailored to the end investor," such as client reporting and compliance. A case in point is J.P. Morgan's July 2004 acquisition of hedge fund servicer Tranaut Fund Administration, which has operations in Boston, Dublin and Hamilton, Bermuda. The bank can now give clients a more comprehensive view of their investment portfolios by linking its Views reporting platform with Tranaut's systems, says Henderson.

Citigroup's Global Transaction Services unit is looking to attract hedge funds by packaging recordkeeping and other back-office capabilities with Citi's prime brokerage offerings, such as trade execution. "We can develop some sophisticated financial accounting tools that will enable funds of hedge funds to obtain a comprehensive view of all of their investments across different portfolios," says GTS managing director Tom Abraham.

Wade McDonald, senior vice president and head of client services in the U.K. for State Street, says the buy side is taking a more selective, "component-based" approach to outsourcing, which may lead gradually to full-scale outsourcing.

The U.K.'s Gartmore Investment Management went that route over the past few years, ultimately entering into a lift-out arrangement with HSBC Securities Services, which since January 2004 has run the entire back office in London. Says Barry Marshall, chief operating officer of Gartmore's investment division: "I don't think it is wise to outsource everything at once. You really need to know what you are doing and trying to achieve by outsourcing."

Such a component-based approach is made possible by business process management technology, a tool for coordinating the migration of several disparate functions toward a desired end state, says Andrew Muir, London-based head of the financial sector practice at BPM software developer Singularity.

"You can break down the back office into 20 to 30 parts, and many organizations are now looking to outsource those piece by piece," explains Muir. Buy-side firms are unlikely to believe that an organization is brilliant at everything it does, he adds, but they are quite prepared to accept that it can be very good at one or two things.

Muir has labeled the resulting trend "boutique insourcing," in which software or custody providers build outsourcing businesses around specific competencies. "An organization that is very good at trade confirmation, performance measurement and attribution, for example, may see itself having a better chance in the outsourcing market if it focuses on the quality it offers in those areas."

Muir says the field is wide open now that outsourcing has become a "red-hot topic" for financial institutions. "I don't think any fund manager has concluded that at least some form of outsourcing is not a good idea," he says.

Citigroup's Abraham believes the future is bright for broad and narrow outsourcers alike. "There is plenty of opportunity for niche providers," he asserts. "Firms with specialties such as pricing and valuation services will find a space in the [hedge fund] market. And as they get to a certain size, they will be acquired by organizations with large client bases. It is an ongoing process."

Posted on April 11, 2005

Alpha Magazine: Tough Customers, feature article

[Hedge Funds & Alternative Investments](#)

Wednesday, May 18, 2005

Tough Customers

[Source: Alpha](#)

Imagine the possibilities: long-bias or short-bias hedge funds, merger arbitrage funds, European statistical arbitrage funds, U.S. event-driven funds -- up to 193 of Morgan Stanley Capital International's hedge fund subindexes, sliced and diced according to any number of risk parameters and neatly delivered up on computer screens. Morgan Stanley's April 6 announcement that it is plunking down \$816 million in cash to buy Barra and integrate the Berkeley, California based risk-systems pioneer with its majority-owned MSCI heralds a formidable combination of data and analytics expertise.

But the deal also attests to just how important hedge funds are becoming to data purveyors and technology suppliers of all stripes. Sales to hedge funds accounted for much of Barra's 10 percent surge in revenues from risk products, to \$34 million, in last year's fourth quarter. "Barra has a sizable presence in hedge funds," points out MSCI CEO Henry Fernandez. "There are things we want to do by putting our data together with Barra's risk analytics."

Fernandez adds that MSCI and Morgan Stanley have only begun to explore the potential synergies of the impending merger. For instance, Barra recently released a credit-default-risk predictor that, says Tim Backshall, the firm's director of credit markets strategy, is "getting a lot of attention in the hedge fund world." The product would presumably fit nicely with MSCI's fixed-income index products.

Morgan Stanley, a top prime broker to hedge funds, and the cutting-edge Barra can hardly be said to have just stumbled upon hedge funds. Yet like dozens of information and technology providers -- dispensers of everything from trading software and market data to portfolio management systems and fund administration services -- they are just now realizing what a potentially huge market the burgeoning sector represents for their wares.

"The hedge fund business is the light, and all of us software companies are like the little flies being attracted to it," says David Palten, CEO of Eagle Investment

Systems Corp., a West Hartford, Connecticut-based subsidiary of Mellon Financial Corp. that specializes in portfolio-management and accounting software.

The hedge fund technology market is so new and so variegated, however, that analysts are still groping for an estimate of its overall size. But no one doubts the potential. Pamela Marnell, the Wayne, Pennsylvania-based vice president of marketing and business development for SunGard Trading and Risk Systems, which peddles trading systems to hedge funds and software to hedge fund administrators, calculates that the assets of hedge funds have soared 1,000 percent since 1993 -- compared with a 258 percent increase in mutual fund assets. Chicago consulting firm Hedge Fund Research estimates that at year-end 2003 some 6,300 hedge funds and funds of funds were managing \$817 billion. The 100 big-gest hedge funds -- Marnell's most prized prospects -- control 50 percent of those assets.

Denise Valentine, an analyst tracking hedge fund technology for Boston-based research firm Celent Communications, counts about 30 companies that are actively selling technology of one sort or another to hedge funds and at least 20 more that are mapping plans to do so. One admittedly indirect measure of the growth in this trend is that technology spending by prime brokerages -- which handle many hedge fund trades and provide financing and other support services -- is increasing at a 13 percent annual clip, compared with flat tech-spending growth over the past few years by the U.S. asset management industry as a whole, according to Celent. The firm estimates that tech spending by prime brokerages -- a business dominated by fewer than ten investment banks, led by Morgan Stanley -- on everything from traders' PCs to proprietary black-box systems, as well as hedge fund-related products, will hit \$1 billion this year and \$1.2 billion by 2006. For perspective, the entire U.S. asset management industry will spend about \$5 billion on technology this year.

Advent Software, a San Francisco-based accounting-systems provider with 450 hedge fund clients, reckons that as many as 2,000 hedge fund management firms don't use prime brokerages -- and therefore are in the market for accounting, reporting and trading systems. Assuming each hedge fund firm spends between \$80,000 and \$200,000 on such systems, this market could be worth \$160 million to \$400 million (not counting data feeds).

One thing is clear, say tech vendors: As hedge funds proliferate and grow in size, they will come under pressure to be more open about their activities to clients and to regulators. To do so, they will need hardware and software as well as advice. The vast majority of hedge funds, after all, remain small and are neophytes when it comes to assembling the kind of infrastructure necessary for full-fledged electronic trading, portfolio accounting and client reporting. "Business will increase as fast as anything we've seen on the buy side," predicts Advent marketing director Peter Hess.

A sure sign that tech salespeople are out in force: Complaints from hedge fund managers are rising. The vendors "are very aggressive on their claims," grumbles

John Kilgannon, a partner at Red Bank, New Jersey-based Rumson Capital. "There are some that claim they can do A, B, C and D, and then you bring them in and they only do part of A."

Not about to be left out of this fast-developing market, the giants of fund custody and administration are also jockeying for position. Bank of New York Co., Bisy Group, HSBC, PNC Financial Services Group's PFPC subsidiary and State Street Corp. have all augmented their mutual fund servicing businesses over the past few years by acquiring hedge fund administrators. BoNY, after buying Bermuda-based International Fund Administration last year, boosted its hedge fund assets under administration 45 percent, to \$30.8 billion. Marina Lewin, the bank's manager for alternative-investment services, is projecting similar growth in 2004. (The total was already up 19 percent, to \$36.6 billion, as of mid-April.) Boston's State Street administers \$85 billion in hedge fund assets, New York-based Bisy's \$75 billion and Pittsburgh's PFPC \$31 billion.

Plainly, though, the market in hedge fund technology and data is still sorting itself out, and in some ways it's shaping up to be as individualistic and idiosyncratic as hedge funds themselves. For a start, hedge fund managers pride themselves on being different from other asset managers, an attitude that carries over to their take on technology. Almost invariably computer literate, thank you, they tend to feel that they know precisely what they need to know -- even if that's no more than how to manipulate an Excel spreadsheet and link up with a prime brokerage.

"All the technology a hedge fund needs is a PC and an Internet connection," says Hans Hufschmid, CEO of GlobeOp Financial Services, half-jokingly. His London- and New York-based enterprise nonetheless is busy selling transaction-processing and administrative services to large hedge funds.

Of course, as with financial service firms, hedge funds' technology requirements grow as they do. Their needs generally fall into two categories: trading and order management for front offices, and portfolio management, accounting, compliance and reporting for middle and back offices. As they grow larger, hedge funds must wrestle with the same conundrum that vexes commercial and investment bankers: Should they build or buy systems, own or outsource them?

For many hedge funds, the first and most critical technology choice centers on trading. It also presents the greatest opportunity for sophisticated systems vendors. But rarely is it an easy sale. Many hedge fund managers are sophisticated traders who prefer to build their own systems. For trading shops like D.E. Shaw & Co. and Renaissance Technologies Corp., technology is such a closely guarded crown jewel that they would no sooner outsource than divulge the names of clients.

Moreover, run-of-the-mill mutual fund trading systems are woefully unsuited to handling the heavy (and often long-short) traffic of a hedge fund. "You rarely see a

buy-side money manager with a \$1 billion fund doing 1,000 trades a day, but you can easily see that with a hedge fund," points out Thomas Kyle, managing principal of TKM Consultants in Stamford, Connecticut, and a former chief technology officer at Stamford hedge fund Ardsley Partners.

Nor is sheer processing capacity the only consideration. "The trading system is where performance matters most," asserts Vijay Kedia, president of Great Neck, New York based FlexTrade Systems. His company has been selling trading systems to hedge funds since 1998. "If an extra millisecond is added, you will notice it," says Kedia. "But if the portfolio [accounting] system gets an update two seconds late, it won't matter much."

How fast do these systems have to be? "Early adopters of our system were hedge funds doing 200,000 or 300,000 transactions a day, trading on every tick, without touching the keyboard," Kedia says. The spread of algorithmic, black-box portfolio trading has only intensified the demands on systems like FlexTrade's -- and, happily for the software maker, heightened demand for its products.

Earlier generations of hedge fund traders were power programmers themselves, notes Eric Goldberg, co-founder of New Yorkbased Portware, which introduced a high-speed trading system, Portware Professional, about two years ago. "The old-time quant traders wrote their own execution models because that was the only way to implement the trading they needed," he explains. "But today you have a lot of theoretical quants who don't necessarily have programming skills, or they want to spend all their time on their alpha models. So they look for others to write the trading systems."

Besides going head-to-head with each other, FlexTrade and Portware increasingly find themselves competing with a new wave of highly sophisticated, fiercely competitive trading systems -- deployed on both buy- and sell-side desks -- from such trading software outfits as New York's Lava Trading and Chicago's Townsend Analytics as well as high-tech institutional brokerages like Greenwich, Connecticut-based Interactive Brokers Group, New Yorkbased Investment Technology Group and UNX of Burbank, California. Explains FlexTrade's Kedia, "As electronic trading has become more prevalent, the differences between the buy side and sell side have been blurring more and more."

"Hedge funds have been a growth area for us for about a year and a half," reports Stuart Townsend, president of Townsend Analytics, which rose to prominence in the 1990s with products for day traders. "It's a logical extension of what we've always done, but hedge funds are much more demanding than active retail traders, who might trade 30 to 50 times a day."

Townsend has assigned his New Yorkbased head of global sales, Jeffrey Brown, to troll for hedge fund business directly and through prime brokerages. "Our

opportunity started with the explosion in hedge funds in 2001'02," notes Brown. "They were often self-seeded, they needed legal advice, but they didn't want big trading or technical staffs. That's a sweet spot for us."

Rumson Capital's Kilgannon is the prototypical hands-off volume trader: He moves 700,000 shares a day in and out of a convertible arbitrage fund. "You want to be able to capture price moves intraday that would be advantageous," he says. "I have an algorithm that I click on at the beginning of the day, and it monitors pricing in dozens of names and accounts. It sends out orders, monitors how they are getting filled and adjusts the strategies."

Kilgannon chose Portware over FlexTrade as his prime vendor. However, he discovered a defect. Written in Java code, Portware is a very open system, yet it didn't link well, Kilgannon says, with a Bloomberg data feed that was important to Rumson. Portware suggested that Rumson add software from Townsend Analytics that interfaced well with both Portware and Bloomberg.

And that, says Kilgannon, points up a persistent weakness that traditional tech vendors will have to address if they hope to penetrate the hedge fund community. "We needed something that was far more responsive and far more flexible, where you could build the strategy and the trading execution as a single system," he explains. "Vendors that have only looked at mutual funds don't have systems that are sufficiently dynamic."

Move away from trading, and outsourcing is more the rule. In portfolio management, administration, compliance and reporting -- where timing and control are less critical -- major software and services vendors see more immediate sales potential. SunGard's Marnell reports that funds with as little as \$200 million under management have been installing her company's Panorama portfolio and risk management platform. The appeal: It's scalable, meaning it can grow along with assets and strategies.

Panorama, however, remains primarily a big-fund product (one user runs 60,000 trades a day through it, 90 percent of them fully automated). By contrast, SunGard's new HedgePower suite is pitched at a wider range of funds. Spotting a trend, SunGard in November 2002 acquired Organizer Systems, a Chicago-based company that had been in the hedge fund and fund-of-funds systems business for two decades. Organizer Systems then became the nucleus of SunGard's HedgePower application service provider product line. In the ASP arrangement SunGard runs a hedge fund's systems remotely, relieving its client of up-front capital investments and maintenance costs. SunGard filled another gap in June 2003 when it bought Reech Capital, a supplier of portfolio valuation and risk measurement systems. SunGard now caters to some 650 hedge funds.

Such ASP offerings are proliferating as vendors try to maneuver their way into the

hedge fund mainstream. These include single products -- Barra launched an ASP initiative last year called BarraOne -- as well as full-scale outsourcing, from front-end trading to back-office accounting and reporting. Aiming to capitalize on the ASP trend, Windsor, Connecticut-based software house SS&C Technologies announced in March that it had agreed to acquire bank and hedge fund outsourcer OMR Systems Corp. from Automatic Data Processing for \$20 million. And in April, FNX, a Philadelphia-based company primarily known for foreign exchange trading systems, launched Aspen Hedge, describing it as "a fully managed ASP solution for the buy side."

Meanwhile, hedge funds that are feeling overwhelmed by their ever-more-complex back-office chores are the target of Oaks, Pennsylvania-based fund management and technology servicer SEI Investments Co. A leader in mutual funds administration -- many hedge fund vendors naturally come out of the mutual fund realm -- SEI segued into hedge funds in 1998, says John Alsheyski, the company's vice president for hedge fund services. Since then, he says, "the alternative fund space has been the hottest segment in both asset growth and the number of new products." SEI's hedge funds under administration have doubled since year-end 2002, to \$42 billion.

Alsheyski describes the process that makes a hedge fund receptive to his firm's sales pitch: "The hedge fund manager might start with one strategy and one prime broker, but as he grows, he will need multiple prime brokers. That is where complexity comes into play." The frazzled manager turns to brand-name tech vendors, like SEI, to simplify his life. "The administrator is the one stop where all this comes together," Alsheyski says. "For the hedge fund manager, access to data is probably best centralized at the administrator, who gets feeds from all the prime brokers, the investors and the manager."

Stressing its expertise in hedge fund portfolio valuations -- essential to bringing more transparency to performance -- SEI relies on nine different pricing services and links to several portfolio management systems, including those of Advent and SunGard.

Complicating hedge fund administration even more -- and further stimulating demand for outsourcers like SEI -- is the role of funds of funds, which now account for fully half of all hedge fund investments. Keeping all those accounts and subaccounts straight is "a nightmare process" best handled by administrators, contends Michael Rodgers, sales director at London- and New York-based Netik, a systems integration company serving hedge funds, prime brokerages and administrators. Says Rodgers, "It is causing a lot of large hedge funds to say, 'This is too much work; we need to outsource our back office to take control of this.'"

Hedge fund administrators confirm this trend. "Our technology and expertise are what the market is demanding," says BoNY's Lewin. "Hedge fund managers are looking to simplify their infrastructure. This momentum will increase the amount

and nature of their outsourcing of back-office operations."

BoNY and other big securities processors aren't the only ones bulking up in hedge fund administration. SS&C Technologies in December acquired Amicorp Group's Curaçao-based fund administration business, now renamed SS&C Fund Services. The \$66 million-in-revenues SS&C hasn't disclosed the size of the business -- it paid only \$1.8 million in cash plus assumption of some liabilities -- but considers it an important extension of its outsourcing line. "We believe our combined strengths in fund administration and technology will set us apart," says SS&C president and CEO Bill Stone.

But even as the back-office needs of hedge funds and mutual funds converge as the former grow larger, hedge funds remain in a class by themselves both for risk management -- they have a voracious appetite for data and analytics -- and for compliance, a whole new frontier for this loosely regulated industry. "The [traditional] institutions are driven by the money flows in and out of underlying funds and by portfolio management concerns," notes UNIX product development director Jeff Brown. "Hedge funds are information-oriented -- they need to deal with streaming market data and see the depth of the [order] book."

In both pretrade strategy-setting and portfolio valuation and analysis, hedge funds pride themselves on their sophisticated risk management tools. Their biggest clients, institutional investors, may be seeking absolute returns rather than gauging performance by a conventional benchmark, but they still want to know the risks their hedge fund manager is running through the use of leverage and exotic options so that they can calculate risk-adjusted returns on capital. Thus specialists in market and credit risk analysis, such as Algorithmics, Barra, Moody's Corp.'s KMV subsidiary and RiskMetrics Group have found hedge funds a fairly receptive market in recent years.

By combining information on a fund's holdings with market data feeds and its own pricing algorithms, RiskMetrics provides risk measurements that a fund can show to its investors without revealing its positions. "That works for hedge funds, which don't want their positions floating around the planet, while investors are entitled to know what they are exposed to," says Michael Thompson, who in March left the New York-based company, where he was the market strategist, to become director of research at Thomson Financial.

Algorithmics cites hedge fund interest in two main areas: providing investor comfort and looking across multiple funds, especially those in funds of funds, to detect concentrations of risk. Tom Severance, managing director for North America at the Toronto firm, says that smaller funds are using risk products to track their positions in the marketplace, while some of the larger firms are taking a more sophisticated view to see if they can tweak their strategies to realize comparable returns with lower risk. "We are starting to see hedge funds of all sizes doing a lot of

counterparty collateral agreements," says Severance, "and they need a system to manage that."

Jersey City, New Jerseybased Principia Partners, a provider of trading systems, risk management tools and back-office infrastructure, has been gaining business from hedge funds that invest in credit derivatives, according to Douglas Long, architect of the firm's credit program. As hedge fund managers seek opportunities off the beaten equities and fixed-income paths, such as in the fast-growing but still not terribly liquid credit derivatives market, Long says, "they are right on the boundary of where the market is, and they need to be innovative in how they manage their risk."

Another risk-related data management challenge for hedge funds in particular is valuing portfolios consisting of exotic instruments. "Hedge funds are dealing with instruments that are not easy to price," points out Christophe Reech, president of SunGard Reech. The unit's FastVal valuation system is embedded in SunGard's HedgePower product. Reech explains it in the context of Long-Term Capital Management, the hedge fund that nearly collapsed and took the market with it in 1998: "If we had just put a price on the fund, we would suddenly have seen it go to the floor. But if we had done a profile with risk attached, then we would have seen that there were some high probabilities that this valuation could be affected because of liquidity. That is what we call a valuation, rather than just putting a price on it."

More formal hedge fund regulation, meanwhile, could generate plenty of business for vendors. "There will be a lot more hedge funds if regulation comes into effect and the business becomes more mainstream," argues Celent's Valentine. She believes regulatory and compliance requirements will spur demand for "more controls and better processes" and notes that "there are technology solutions for that."

SunGard's Marnell observes that institutional investors are already demanding greater transparency. "In 2002, for the first time, institutional investment passed high net worth in the hedge funds market, so now the funds have to deal with a different set of expectations," she says. "While institutional investors want risk reporting and performance reporting, a pension fund that is stewarding the pension assets of millions of individuals has a much higher fiduciary responsibility, so it will demand a different degree of risk reporting" -- not to mention access to underlying data and independent portfolio valuations. All of that, of course, plays to the strengths of tech vendors.

Still, hedge fund managers can be difficult customers. Almost by definition, they are do-it-yourselfers, and that spirit often extends to technology. Tech vendors will need to be as entrepreneurial and flexible as, well, hedge fund managers themselves.

Meet your customer: New Yorkbased statistical arbitrage hedge fund Double Alpha Group buys risk software from Barra and relies on an undisclosed administrator. But

over the past 18 months, it has spent \$2 million to build its own execution system for trading 3 million to 5 million shares a day. Double Alpha has no fewer than 15 employees working on technology -- equal to the number in trading and operations -- despite having less than \$200 million in assets.

"We are not very broker-friendly," says CEO Charles Zaffuto. "I want to get those [execution] costs as close to zero as possible, which gives us a huge edge where spreads are narrow. If you don't have good execution costs, you will take a substantial hit, because most of your profit is going to your broker. If you can do it yourself and bring that penny a share close to zero, then it is worth the \$2 million investment."

Or how about Michel Debiche? The veteran trader set up his own shop, Quantia Capital Management, in Princeton, New Jersey, in May 2003. He sees some big gaps in outside technology offerings. Debiche does praise Portware (introduced to him by Morgan Stanley), which for \$2,000 to \$3,000 per trader per month makes it possible to analyze relationships among more than 1,000 stocks at a time and to construct portfolios on the fly with as many as 1,500 stocks. He marvels that "the bang for the buck is tremendous. On my one [Compaq computer] rack, I have more computing power than I ever had working inside some pretty big brokerages during my career."

Yet Debiche complains that he couldn't find an affordable portfolio accounting system, so he built one himself. And although he used a fund administrator for a while, he gripes that its system couldn't keep pace with his huge volumes. "There seems to be an opportunity for a relatively low-cost system for hedge funds -- maybe not full-blown, but not QuickBooks either," suggests Debiche, referring to Intuit's popular \$200 small-business accounting system.

"The back office has lagged," Debiche continues. "Many fund administrators cannot handle the flow from people like us. There is tremendous inertia in the back office, and it isn't any better on the Street." Tech vendors, take note.

MergerMarket.com: Company Growth News

07/05/2005 **Netik eyeing acquisitions; new 'strategic relationships' in the offing, CEO says**

Story: **Netik, a private vendor of financial data management software, may explore acquisitions because of its thriving business, said CEO John Wise. A year after London-based Netik sold a 51% interest to listed Bank of New York, Netik's annual sales growth has been 80%, Wise said in an interview. Full-year revenue will exceed USD 20m, he predicted, and the company will be profitable. He declined to specify the company's profit. The eight-year-old company sells data management and warehousing software to hundreds of Wall Street firms and asset managers for annual licenses starting at USD 350,000 or a perpetual license starting at USD 1m, Wise said. Netik also charges for services. As a result, the company generates substantial cash that could be used for acquisitions, the CEO said.**

Bank of New York, usually tied with listed State Street as the top US-based global custody manager, has helped bring in more customers, Wise said. At the same time, not being wholly owned by the bank means Netik is still perceived as being "neutral," he explained.

Eagle Investment Systems, which is majority owned by listed Mellon Financial, is the company's principal rival, Wise said. The CEO said he did not believe his company will be a target of larger database providers Oracle or Cognos, which have both made recent acquisitions, as well as listed Sun Microsystems, which is also buying financial data providers. Netik also has a technology partnership with listed Advent Software, which sells its Geneva portfolio management software packages in tandem with Netik's InterView and other products. Advent Software is not an investor in Netik.

Wise, a founder of the company, said he wants to spend more time on software development. As a result, the company shifted CFO Bill Rockett to become its first COO and designated VP and co-founder Laura Adams as chief of staff. A new CFO will be appointed soon, he said.

The company plans to announce several new "strategic relationships" and consultancy partnerships in the second half, Wise said.

by David Zielenziger

Global Custodian: Company Growth News

Posted: 05 Jul 2005

Netik Reports Record Sales Growth In Past Year

Netik LLC, announced Tuesday record sales growth of its data reporting product, Netik InterView, with a more than 80% in the last 12 months.

2004- 2005 was a milestone year for Netik, signing up 10 new customers. Netik said in a news release that existing and new customers have helped drive some significant product enhancements during the year with releases of Netik InterView that included fund of hedge funds, performance explorer and Netik enterprise reporting.

Netik's won customers in global asset management, prime brokerage, fund administration and operations outsourcing. Netik's also said in a statement that its alliance with Advent Software has also proven to be a significant driver behind this growth where a third of the new business wins were in the areas of Prime Brokerage and Fund Administration and were associated with Netik's ability to deliver robust real-time integration with Advent's market leading Geneva accounting engine. The combination of Netik InterView and Geneva brings to market highly efficient workflow-governed Data Management, real- time accounting and flexible premium reporting.

Apart from solving the perennial problem of periodic high-quality client reporting, Netik InterView provides ready access to a powerful combination of portfolio accounting data, performance attribution and return data, as well as third-party benchmarks, economic data and risk analytics, in a manner that delivers strategic intelligence to an investment firm's executive team. Netik InterView is designed to improve such users' ability to understand what drives their business by allowing them to interactively analyze and explore information to discern trends and patterns, thereby deriving insights and allowing conclusions to be drawn.

John Wise, CEO of Netik said the last year has been an exhilarating ride for Netik and I am very pleased with our progress in all of the sectors into which we sell in the Investment Industry."

"We will be maintaining this momentum as we head into 2005/06. We have a very strong order book and pipeline and I am looking for further quantum growth in the next twelve months. However, it is vital that we achieve this in a controlled manner and my number-one priority is to ensure our continued reputation for successful implementations on-time and on-budget leading to the decision to promote from within the company to ensure Netik's proven methodologies and quality control are lead by senior professionals familiar with Netik's style of conducting business".

Netik reports rising sales; promotes Rockett to COO and Adams to chief of staff

05 July 2005

Netik LLC, the global leader in delivering information-centric Data Management and Reporting solutions to the Securities Industry via its Data Warehouse and Investment Hub product, Netik Interview, today announced record sales growth of more than 80% over the last 12 months.

Netik has also announced two internal promotions, Bill Rockett, Chief Operating Officer and Laura Adams, Chief of Staff to ensure Netik's proven methodologies remain in tact as the management challenge of rapid growth in new customer implementations continues into 2005/2006.

2004/05 was a milestone year for Netik with stellar revenue growth recorded by the company with 10 new customer wins. Moreover, existing and new customers helped drive some significant product enhancements during the year with releases of Netik InterView that included Fund of Hedge Funds, Performance Explorer and Netik Enterprise Reporting. Netik's customer wins are in the areas of Global Asset Management, Prime Brokerage, Fund Administration and Operations Outsourcing. In addition, Netik's strategic alliance with Advent Software has also proven to be a significant driver behind this growth where a third of the new business wins were in the areas of Prime Brokerage and Fund Administration and were associated with Netik's ability to deliver robust real-time integration with Advent's market leading Geneva accounting engine. The combination of Netik InterView and Geneva brings to market highly efficient workflow-governed Data Management, real-time accounting and flexible premium reporting.

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John Wise, CEO of Netik commented: "The last year has been a tremendously exhilarating ride for Netik and I am very pleased with our progress in all of the sectors into which we sell in the Investment Industry."

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By strengthening the senior executive management team the focus will be on operational control as the key success factor going forward. Bill Rockett, who was hitherto the CFO, has been appointed Chief Operating Officer and Laura Adams, VP Business Development and who was a founder of Netik, has been appointed Chief of Staff.

Bill Rockett, as COO, will specifically focus on the delivery and implementation function globally, ensuring excellence in co-ordination of resources to maintain capacity and to continue to maximize client satisfaction with on-time/on-budget projects. Prior to joining Netik four years ago, Bill Rockett worked at Misys Banking Division for 10 years during which he undertook several roles in both the New York and London including CFO for both of the US and European regions.

Laura Adams, as Chief of Staff, will co-ordinate global functions and resources. Prior to Laura Adams' 13 years at Netik where she gained experience in several areas of management, including Product Development Director, she was employed by TCA Syntec as Head of Product (Open Hub), and LBMS Consulting and Shell International.

John Wise states, "By Leveraging Rockett's solid background in process and financial control and focusing this on operations, plus Adam's long experience gained from both development and client-facing roles, we will be able to support continue high growth in a controlled and consistent manner. Both Bill and Laura in their new roles will ensure that processes and standards are maintained and enforced as well as making sure staff, customers and partners benefit from a consistent approach to our product implementation, procedures and compliance."

Securities Industry News: Company Growth News

Netik Achieves Record-Breaking Revenue Growth

July 5, 2005 - NEW YORK AND LONDON - **Netik** LLC, the global leader in delivering information-centric Data Management and Reporting solutions to the Securities Industry via its Data Warehouse and Investment Hub product, **Netik** Interview, today announced record sales growth of more than 80% over the last 12 months. **Netik** has also announced two internal promotions, Bill Rockett, Chief Operating Officer and Laura Adams, Chief of Staff to ensure **Netik**'s proven methodologies remain in tact as the management challenge of rapid growth in new customer implementations continues into 2005/2006.

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Wise goes on to say: "We will be maintaining this momentum as we head into 2005/06. We have a very strong order book and pipeline and I am looking for further quantum growth in the next twelve months. However, it is vital that we achieve this in a controlled manner and my number-one priority is to ensure our continued reputation for successful implementations on-time and on-budget leading to the decision to promote from within

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Bobsguide.com: Company Growth News

NETIK ACHIEVES RECORD-BREAKING REVENUE GROWTH FOR FISCAL YEAR AND REORGANIZES MANAGEMENT BY PROMOTING FROM WITH-IN

NEW YORK AND LONDON, JULY 5, 2005 - Netik LLC, the global leader in delivering information-centric Data Management and Reporting solutions to the Securities Industry via its Data Warehouse and Investment Hub product, Netik Interview, today announced record sales growth of more than 80% over the last 12 months. Netik has also announced two internal promotions, Bill Rockett, Chief Operating Officer and Laura Adams, Chief of Staff to ensure Netik's proven methodologies remain in tact as the management challenge of rapid growth in new customer implementations continues into 2005/2006.

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Securities Industry News: Hedge Funds Hire Front office help

Securities Industry News

January 31, 2005

"Only one out of ten hedge fund administrators is really able to handle the more complex trade order management, valuation, reconciliation and reporting work needed for fund of funds."

— Brian Shapiro,
CarbonBased Consulting

Hedge Funds Hire Front-Office Help

By Chris Kentouris, Senior International Editor

January 31, 2005 - In the hedge fund administration game, what counts are skills, not size, say market players, citing Mellon Corp.'s recent acquisition of DPM's \$30 billion book as the latest case in point.

Granted, Mellon is a relative latecomer. Bank of New York, State Street, JP Morgan and Citigroup have already bought out independent operations over the past few years. But Mellon, like its competitors, is betting on more than just deep pockets to stand out from the pack.

"We will leverage DPM's platform in the U.S. and Europe, while adding some of Mellon's reporting capabilities," says Paul Adamo, first VP of Mellon Global Securities Services. Indeed, one of the reasons the firm was interested in a Mellon takeover was expanding its reach in Dublin, where Mellon already has a stronghold in institutional fund administration.

The Somerset, N.J. firm's proprietary platform specializes in the valuation of complex over-the-counter (OTC) derivative instruments, and appropriately so, since over half of its 91 clients are not stand-alone hedge funds but asset allocators that rely on convertible arbitrage, macro-trading and credit default swaps. The client base also ties in well with Mellon's traditional strengths in servicing large financial institutions.

The needs of asset allocators are considered far more complex than those of stand-alone funds or "funds of funds" because the administrator must set up connectivity with multiple fund managers, multiple prime brokers and multiple administrators. In stand-alone hedge funds, fund administrators typically reconcile the cash and securities positions of multiple prime brokers with those of a single hedge fund manager. Funds of funds also rely on a single fund manager, but more closely resemble asset allocators for hedge fund administrators in that they must reconcile the positions of multiple underlying administrators and prime brokers for each underlying hedge fund.

Sources say that Credit Suisse and Deutsche Bank are among DPM's roster of asset allocator clients, but Mellon would not confirm this. DPM has cited the S&P Plus Fund as one of its 91 clients, which in turn represent about 600 underlying hedge funds.

Of the three hedge fund managers in Mellon Financial's stable, one--Mellon HBV--had already signed up for DPM's services.

As it approaches \$1 trillion in assets under management, the hedge fund industry owes its expansion in large part to greater interest from pension funds and endowments, which historically have invested in long-short strategies. U.S. institutional investors are expected to raise their investments in hedge funds to \$300 billion from \$66 billion over the next five years, according to a joint report by Bank of New York and Casey,

Quirk & Associates.

The diversification of hedge fund investors--often referred to as "institutionalization"--has increased the need for transparency, which in turn is increasing demand for outsourcing of middle- and back-office services; the Securities and Exchange Commission's requirement that many hedge fund managers register as investment advisors in 2006 will only encourage that trend, market players predict.

Hedge fund administrators are required to service a product inventory that goes well beyond traditional bonds, cash and equity funds, and they also often offer order management, risk analysis, performance measurement, regulatory compliance and other functions previously provided by hedge fund managers themselves or by a prime broker.

This exhaustive list of requirements naturally forces hedge fund administrators to look more closely at new software solutions and new ways of leveraging legacy technology. The tie-in with Mellon, for example, might allow DPM to capture transfer agency business from its clientele, which now typically relies on in-house platforms or other third-party providers.

The same goes for Citigroup. "Our platform is able to provide all of the services in a consolidated fashion," says Richard Ernesti, head of sales for Citigroup's hedge fund administration business, referring to technology Citi inherited from Forum Financial.

Since acquiring Forum Financial (FF) last year, Citigroup's total hedge fund assets under management has more than doubled to \$12 billion say sources, thanks in large part to networking with attorneys, accountants and hedge fund consultants. "It's still word of mouth. Unlike their traditional investment fund peers, hedge fund managers put out few requests for proposals," Ernesti says.

Funds of funds, which account for an estimated quarter of the hedge fund market, are attracting the most attention from hedge fund administrators because they are popular with institutional investors.

However, according to some industry observers, many hedge fund administrators have a lot of work to do in fully automating tasks that are still done manually in Excel spreadsheets or helped along by the piecemeal integration of multiple systems.

"Only one out of ten hedge fund administrators is really able to handle the more complex trade order management, valuation, reconciliation and reporting work needed for fund of funds," says Brian Shapiro, president of buy-side consultancy CarbonBased Consulting, who has authored several reports on the state of technology in the hedge fund arena.

Last week, HSBC confirmed talk that it was expanding in the fund-of-funds arena, inking a licensing deal with Netik to use an information portal based on its InterView 7 data-management hub. In doing so, HSBC allows fund-of-funds managers to consolidate information from third-party platforms as well as their own and HSBC's. This data will initially include the prospectus of the individual hedge fund as well as its past performance. Fund managers will eventually also be able to automate subscriptions and redemptions instead of relying on faxes.

It could not be determined how many hedge funds will be involved, how many managers HSBC is targeting, or when the installation of Netik's InterView 7 will be finished. HSBC's main hedge fund servicing centers are in Bermuda, Dublin, Luxembourg, Hong Kong and New York.

"While fund-of-funds managers have always been able to access a multitude of information, the process has not been efficient," said Alan Smith, global head of client relationship management in the alternative investments unit at HSBC, which entered the hedge fund administration arena with its takeover of Bank of Bermuda last year. Smith says Netik's InterView 7 will be marketed to fund-of-fund managers directly rather than on a private label basis, as other technology providers, such as SunGard, have done. HSBC uses SunGard software to price OTC derivatives.

Bank of New York (BNY), which joined the community of hedge fund administrators with its acquisition of IFA two years ago, will also rely on Netik's technology to expand its fund-of-funds business. "Using Netik, we can offer automated workflow control tools and Web-enabled reporting," explains Marina Lewin, a managing director in BNY's hedge fund administration unit. "Integrating the Netik engine with our safekeeping platform will allow for automated position tracking." She declined to describe the timetable for implementation.

The choice of Netik is no surprise: BNY bought a 51-percent stake in the software vendor last year.

Also on BNY's agenda is improving how it prices non-exchange traded contracts. Hedge fund managers must rely on a combination of their own modeling and third-party sources. Hedge fund administrators have historically rubber-stamped prices provided by their hedge fund managers--a process known as "NAV-lite"--but are now doing more and more of their own diligence, as BNY indicates.

"The bank will not run its own models, but will diversify the pool of contributors to its pricing of derivative contracts," says Lewin, although she won't specify the number of pricing sources BNY uses.

While alpha-generation remains the primary driver for hedge fund managers, transparency issues are also pushing hedge fund administrators to offer risk management and performance attribution tools. Hedge fund managers are becoming increasingly aware that they must justify their decisions to investors, not only in order to comply with investment guidelines but also to command the hefty fees they're competing for.

For that reason, more of the money hedge fund administrators' spend on technology in 2005 will be in the front office than in the back office--a paradigm shift that coincides with the completion of much of the integration work on newly acquired IT systems.

"We are exploring a number of options, including the measuring of volatility against benchmarks such as the fed rate to better determine risk for interest rate and other debt contracts," says Gary Enos, EVP and head of hedge fund administration for State Street.

Faster execution and decision making is another urgent demand, but the jury is out on how the parameters should be set, and Enos believes the ability to strike daily net asset values for all hedge fund clients is still a long way off. "Most of our clients still rely on weekly or monthly valuations, and I don't see that changing any time soon," he says.

Windows in Financial Services: Netik- BNY case study

THE BANK OF NEW YORK

CUSTOMERS & PARTNERS

SPEEDING UP STP WITH A DATA HUB

The Bank of New York has acquired a 51 percent stake in Netik, providing the data warehouse provider with financial stability and the bank with vital software for its outsourcing business systems for financial services.

Fred J. Ricciardi, executive vice president of The Bank of New York, said the bank found Netik when it was looking for technology to fill out its business process outsourcing (BPO) offering.

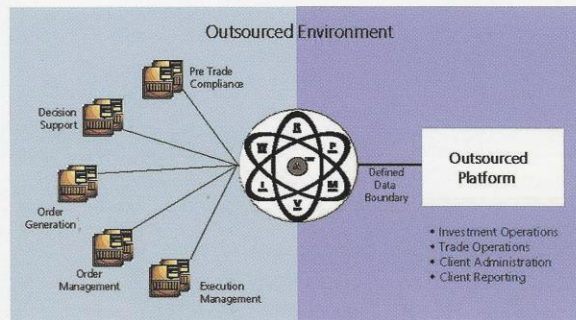
"Our principal line of business is servicing the securities market, where we go well beyond being a custodian," Ricciardi explained. "We offer comprehensive information to our clients around areas such as accounting, risk management and compliance." The bank uses the Netik InterView Investment Hub as part of its BNY SmartSource outsourcing program. The bank's clients, including investment managers, hedge funds, banks, broker/dealers, insurance companies and plan sponsors, can subscribe to the Netik platform on a stand-alone basis or bundled with other services such as fund accounting, custody or BNY SmartSource. Netik will continue to operate as an independent software company offering its technology to BNY and its competitors.

In taking over the functions of an investment manager's back office, the bank found its biggest challenge wasn't moving the investment activities over to the bank's platform – it was integrating the information back to the client.

"We realized we are integrating back to dozens of different systems," said Ricciardi. "In order for investment management outsourcing to work well, we need to limit the time and risks around execution. Using a data warehouse on the client side to link back to us seemed the magic sauce."

An asset manager might operate four or more trading applications. Instead of interfacing each of those to The Bank of New York, the asset manager can use Netik to create a data hub warehouse that contains all his trading and portfolio information.

"Then we can set up a single data communica-



tion with the data hub, and that would in turn feed our multi-currency accounting and client reporting. As they feed us information, that will update our system and send back updates and reconciliation live, so they will have current positions and settlement updates for all their positions."

Data mapping can be the most difficult part of business process outsourcing, and it can take 12 months or longer to set up, said Ricciardi. By using Netik's data hub, the bank has its side completed before an outsourcing contract is signed. Netik, which runs entirely on Microsoft technology and SQL Server, has some excellent tools to map the asset manager's data to the hub, so the process can be completed in as little as three months.

Reducing time, valuable in itself, also builds client confidence and makes the outsourcing decision easier for the asset manager, added Ricciardi. "Shortening the timeline minimizes the risk, and it will also minimize cost."

He expects Netik to also appeal to BNY clients who are not outsourcing.

"We can distribute this to our non-outsourcing clients who have the same data integration problems to solve. We think we can make Netik more profitable through our global business relationships with the largest fund managers," Ricciardi added. "Our starting point with Netik was filling out our outsourcing strategy, but now we believe we have a company which has capabilities that are much in demand in the marketplace."

Placing Netik's InterView at the asset manager's site also makes the outsourcing decision easier because the manager retains his ownership of the da-

ta and outsources the accounting and other services, said Colin Close, Netik's CIO. "The asset manager can keep the data warehouse on SQL Server inside his firewall, still have control of his data, and maintain one connection to the outsourcing provider."

For Netik, the investment by The Bank of New York provides the financial credibility that clients want.

"The number one challenge you struggle with as a software company that is supplying one end of a mission-critical opera-

tion is that customers want a financially strong company," explained John Wise, CEO of Netik. "Having a AA-rated bank makes us financially strong."

Both the bank and Netik were aware that other banks might be wary of using technology from a company owned by BNY. Citibank, for example, is a major user of Netik's systems (WFS Winter 2001).

"We have many clients in our business who are also competitors," said Ricciardi. "We are a Citi client, and Citi is our client. The fact that we own a majority interest in Netik should not affect their competitive edge in the marketplace. One reason we structured the transaction the way we did is to maintain their independence. The Netik management team stays in place; they are not being merged into our technology organization."

The industry is growing accustomed to financial firms getting into the software business, added Wise. The Bank of New York bought Sonic Financial Technologies in March, and Citicorp purchased Lava Trading over the summer.

"The banks are becoming more and more like software houses and want to provide these services to each other," he said. Where large asset managers once built much of their own technology, now they are buying it from software companies or are paying for it on an application service provider (ASP) basis. That model is growing, said Wise, and to succeed it requires that the technology providers be strong financially. 

www.netik.com
www.bankofny.com

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STPZone.com: Netik Enterprise Reporting

11/02/2005 PRODUCT LAUNCH Netik's Enterprise Reporting application promises to take the pain out of quarterly and annual client report creation

The new module plugs into the Netik InterView data warehouse and leverages the information within it to automate the creation of high value client reports; Bank of New York and two asset managers have adopted it already

Netik has launched an Enterprise Reporting application, designed to plug into the Netik InterView data warehouse and leverage the investment accounting, performance attribution and risk information contained within it to deliver aggregated client reporting. Bank of New York, which owns 51 per cent of Netik, has adopted the Enterprise Reporting application as part of its outsourcing capability, and Netik says it has two other asset management clients currently using the module.

Colin Close, Netik COO, explains the capabilities of the new application. "This is a value-added plug-in to InterView which deals with the need for high quality enterprise reporting among the investment community," he told stpzone.com. "It is targeted to meet the challenges asset managers face in bringing together higher value quarterly or annual reports for their clients. The creation of these reports is often onerous. Data comes from various different sources, including portfolio accounting, performance measurement and attribution, economic commentaries from the economic specialists within the firm and fund portfolio specific commentaries from fund managers. Firms must then weave this information together in as short a time as possible in a high quality report pack for distribution in hardcopy and available online as well."

For many investment managers this is a highly manually intensive exercise, adds John Wise, Netik CEO. "They have to bring all this information into a package like Publisher or Powerpoint or even Word. The amount of time taken to do it is very high, and it is also time consuming to ensure the required integrity by eyeballing documents, not using computers."

Using Netik's new Enterprise Reporting application the process can be automated, the vendor says. InterView contains some 80 per cent of the required transaction based data, Close says, and workflow technology is deployed to bring together the remaining information from other sources. "The Enterprise Reporting application enables investment managers to transform this key touchpoint with clients to achieve mass customisation and ensure the efficient creation of high quality reports," he adds.

Clearly there are a number of established client reporting solutions already on the market. Wise says the Enterprise Reporting module is differentiated in several ways. "Firstly when clients get the hardcopy report, they can see exactly the same thing on their provider's web site, and can click on areas for further information and slice and dice data in different ways. This reduces the client management required to answer customers' many questions about how figures were derived," he told stpzone.com. "Secondly our solution is accounting system neutral. Thirdly, it is not challenged from a performance/scale perspective as our research suggests some of the existing solutions on the market are."

Wise adds that the Enterprise Reporting module could be applied to other tasks within an

investment management firm. "It is very tools based, so you can point it at anything you like. It doesn't only do one thing," he says. "Clients are already talking about using it for the more standardised daily, monthly and weekly reports. Also, the audience for the reports generated by the application doesn't necessarily have to be external. Because our hub goes into the heart of the investment operation and hooks into the GL, access is available to firmwide executive information, as well as investment type information, and there is quite a high level of interest in using the module to pull together monthly executive management packs containing budget information, for example, an area in which you wouldn't normally expect a vendor like us to be involved.

Wall Street & Technology: Netik Enterprise Reporting

Investment Management Newsflashes: Netik Launches Enterprise Reporting Engine for Client Reporting, and more.

By WS&T Staff

February 10, 2005

Netik, a New York-based software provider for the securities industry, has launched the Enterprise Reporting engine to facilitate the periodic reporting of portfolio investment and performance information to an asset-management firm's clients. The Enterprise Reporting application plugs into the Netik InterView Data Warehouse, the company's proprietary investment hub, and leverages the investment accounting, performance attribution and risk information that it contains to deliver aggregated client reporting.

The new application's key features include scheduled, event-triggered and on-demand report generation; integrated workflow control and integrity checks providing preview, audit, exception management and delivery-tracking facilities; and consolidated account/portfolio reporting with the ability to incorporate information from multiple data sources including the Netik interview data warehouse, free-form commentary, Excel spreadsheets, Word documents and other external data sources.

Global Custodian: Netik Enterprise Reporting

NEWS

9 Feb, 2005

Netik Unveils New Fund Manager Reporting Application

Netik, the software company in which Bank of New York bought a 51 per cent stake last year (see [The Bank Of New York Confirms Investment In Netik](#)), has launched a so-called Enterprise

Reporting Engine.

The new application plugs into the Netik InterView Data Warehouse, where it can tap into the investment accounting, performance attribution and risk information that it contains in order to deliver complex aggregated client reporting, under the control of workflow technology.

Netik says it aims to solve the nightmare of daily, weekly, monthly and quarterly reporting of portfolio portfolio valuation, P&L, comparative performance, and other investment information, by fund managers back to their clients.

"Our investment manager clients have been quick to spot the huge benefit of driving enhanced client reporting via an 'engine' that plugs directly into the Netik InterView Data Warehouse, leveraging its rich repository of accounting, performance, risk and research information," says John Wise, CEO of Netik. "These two elements working together produce a highly functional, efficient and scalable reporting solution. Netik's approach transforms the client reporting process into one of 'mass customization' - this means the production and distribution of customized report packs on a mass basis. We have enabled the Report Packs to be broken down into their component parts and for each of these components to be produced with maximum efficiency. The crucial customization occurs in the re-assembly of such components into Board Quality Report Packs that can give clients the feeling that their report was produced specifically for them. We enable Asset Managers to gain complete control of this important touch-point with their clients and enhance their clients' experience."

Bobsguide.com: Netik Enterprise Reporting

NETIK LAUNCHES ENTERPRISE REPORTING ENGINE TO DELIVER WORKFLOW-DRIVEN HIGH QUALITY CLIENT REPORTING

New York and London, February 9 – Netik LLC, the Industry's leading Investment Hub company today announced its Enterprise Reporting engine to solve the nightmare of periodic reporting of portfolio investment and performance information to an asset management firm's clients. Netik's new Enterprise Reporting application plugs into the Netik InterView Data Warehouse and leverages the dynamic investment accounting, performance attribution and risk information that it contains to deliver complex aggregated client reporting – all under the guidance and control of Netik's sophisticated workflow technology.

Client Reporting is the process whereby asset management firms or their agents must regularly report back to their clients on portfolio valuation, P&L, comparative performance, etc. 'Regularly' means daily, weekly, monthly and quarterly with each frequency requiring increasing depth and complexity of information. Despite its huge importance as a high profile touch-point with clients, Client Reporting is universally regarded as a burdensome and inefficient process that is still highly manual and therefore prone to embarrassing errors. This is particularly so in the preparation of monthly and quarterly Report Packs that must have very high quality, so-called

'Board Quality' output, often delivered in hard copy. Data must be assembled from multiple

sources, both within and outside the firm, including unique commentaries. Client Reporting is thus a **data management** problem of huge proportions. The process is very complex; it is a recurring nightmare for Investment Managers and Investor Services vendors and it is ripe for re-tooling and re-engineering and this is exactly what Netik has done with its' new enterprise reporting application.

Netik InterView 7 ensures that the disparate inputs to clients' reports are gathered together and staged in consolidated form in the Data Warehouse. Netik's Enterprise Reporting engine then provides the key workflow and production capability for the high-volume, premium quality creation of report schedules, the customizable selection of combinations of these components into report packs and then the controlled authorization and distribution of these Packs to clients.

John Wise, CEO of Netik states: "Our Investment Manager clients have been quick to spot the huge benefit of driving enhanced Client Reporting via an 'engine' that plugs directly into the Netik InterView Data Warehouse leveraging its' rich repository of accounting, performance, risk and research information. These two elements working together produce a highly functional, efficient and scaleable reporting solution."

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Netik's *Enterprise Reporting* facility (*E-R*) provides today's requirements for automating and streamlining the workflows required for the production of Board Quality customer Report Packs. Features include:

- ✓ Boardroom Quality Report Production including Graphs, Charts and Pictures
- ✓ Fully Customizable Report Definitions and File Extracts with the ability to incorporate custom inserts from economic analysts and the Fund Manager, including Excel Spreadsheets, Word Documents and Portable Document Files (PDF)
- ✓ Scheduled, Event Triggered and On-Demand Report Generation
- ✓ Packaged, Table of Contents, 'Print Shop' Ready Output including Multiple Copies, Multiple Recipients with Names and Addresses
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About Netik

Netik is the global leader in providing Data Warehouses and Investment Hubs for the Securities Industry. Netik's information-centric Data Management and Reporting Solutions are based upon a uniquely powerful data model that has been engineered to sit at the heart of Investment Operations and supports Institutional Asset Managers, Wealth Managers, Private Bankers, Fund Administrators, Prime Brokers, Custodians and Investment Operations Outsourcing providers. Netik's proposition solves the perennial problem of how to handle financial data from increasing numbers of sources, rationalize, transform and reconcile it and accurately route, store and warehouse it so that it can be leveraged as information for front-line business decisions. For more information visit www.netik.com.

Finextra: Netik Enterprise Reporting

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Securities Industry News

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What Makes Markets

www.securitiesindustry.com

DATA MANAGEMENT

Keeping Data Projects On an Even Keel

BY CHRIS KENTOURIS

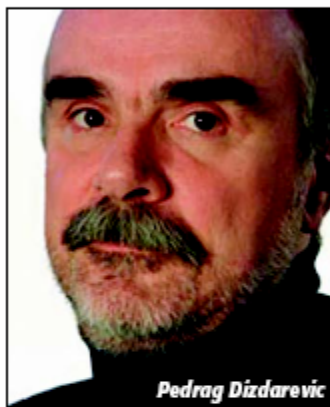
Ensuring that data is accurate and timely is easier said than done. In fact, it is just one issue among many for the world's largest securities firms as they face the challenge of managing information on the securities they trade and process, and their clients and counterparties.

Other questions concern whether information should be centralized in a single repository, who should be in charge of the data and how to satisfy a diverse group of users in different business lines. Data managers also face the difficult task of explaining to management that a multi-million-dollar, enterprisewide data project is necessary, although it may be virtually impossible to quantify the project's return on investment.

These were among the topics raised in presentations and panel discussions at a Financial Information Management (Fima) conference last week in New York. The conference agenda focused on maximizing efficiency and minimizing risk in managing data.

"What really started to drive home the importance of tackling data governance and the issue of ownership is the frenetic pace of how financial shops integrate data into their operational infrastructure," said Predrag Dizdarevic, president of the data management services unit of consultancy Capco. "A decade ago the remedy was to buy or build best-of-breed software for each type of data, each with its own database and vendor feed inputs. This approach tended to turn the enterprise into dozens of data silos depending on the type of instrument and location of the users."

Dizdarevic and other speakers noted that regulatory pressures, including



Basel II, anti-money-laundering measures and know-your-customer rules, combined with the need to reduce cost and risk, have compelled firms to take a closer look at their data management. For many, this has led to a consistent, enterprisewide view of data that ranges from simple end-of-day pricing to complex corporate actions and information on institutional and retail clients.

"We were faced with the need for straight-through processing under increased trading volumes and scrutiny by regulators," said James Perry, vice president of data quality at Goldman Sachs & Co., one of several speakers at the Fima show who discussed the problems encountered in starting an enterprisewide data management project. In his presentation on the pros and cons of establishing a single "golden copy" of reference data, Perry recalled that when he began at Goldman Sachs in 1999, there were several databases around the globe that were tied to the local market and individual products. Rather than rely on a "big bang" reprogram-

ming, he recommended phasing in each region: The U.S. was phased in first in two steps—equities then fixed income. Next came Europe; Asia was last. The entire process took three years to get into "fourth gear," as he described it. It was an additional year before it was "fully mature."

The phased implementation ensured what Perry and other speakers called the short-term results of an enterprisewide data project. The ability to demonstrate these short-term results helps projects gain companywide support. "Once the U.S. equities staff realized the benefits of the process, word spread to other departments, so we didn't have to lobby hard to win the support of the U.S. fixed-income team," said Perry. "They just called up eager to sign on to the program."

Centralizing data into a single repository raises a key question: Who will be in charge of ensuring the quality of that data? Perry's 17-member data quality group has control of any changes to data and will not randomly alter data in the centralized database just for the sake of helping a downstream application. "I'm not concerned about which different business lines use the data or how they manipulate the data," said Perry. "But I want to ensure that the data in the repository is accurate."

In the case of Putnam Investments, the creation of a centralized securities data began in the late 1990s, prompted by operational costs resulting from trading errors. Last year, the effort led to the creation of a single team under the direction of Stephen Goff, vice president of market data services.

Previously, ensuring market data quality fell to two separate units; Goff described one as a "desktop team"

responsible for ensuring that contracts on desktop applications with vendors were administered correctly. Another unit addressed data validation and was charged with ensuring actual data accuracy. The new market data services unit now reports to Putnam's chief administrative officer, who had also overseen the desktop team. The data validation team previously reported to the chief technology officer.

The change in data governance means that Putnam can maintain one relationship with its data vendors rather than two, and it requires all of the money manager's departments to negotiate any purchase of a data service through the market data services unit. This allows the company to gain more volume discounts on its vendor contracts. An inventory-tracking system installed last year allows the firm to monitor spending with third-party information providers and the use of the dollars down to individual departments and staffers. This year the platform will be adapted to allow Putnam to allocate budgets for data spending by department, said Goff.

Merits aside, every data repository project requires careful planning. "I hear the buzzword 'data czar' mentioned, but in reality, you need a dedicated operations and technology staff working together," said Perry of Goldman Sachs. "I may be in operations, but I have counterparts on the technology side involved."

But how do you prove return on investment, beyond cost savings from the reduction in operating platforms? "You not only have to cite examples of what can go wrong from peers but take surveys of the dissatisfaction of internal staffers and have access to folks who can speak to the appropriate senior-level people," said David Goldberg, U.S. head of data man-

agement for UBS Investment Bank, in a talk on the data manager's role in developing a global data management initiative.

While most panelists at the Fima conference cited the merits of a single, enterprisewide golden copy of data, one exception was Christopher Mose, executive director of data and client reporting for Morgan Stanley & Co., who said his firm's retail operations unit is creating a data warehouse of sorts for client infor-

**"I hear the
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—James Perry,
Goldman Sachs & Co.

mation. "We will never build a single repository, so the golden copy will really be a bi-directional golden link," he said. "There will always be silos that disagree with each other, and some departments that just don't want to share information." His presentation addressed the risk management issues associated with poor client data.

Unlike data for institutional clients, which must be based on hierarchies to parent firms and documentation from official sources, information for retail clients needs to be more flexible: It must take into account a multitude of legal names, nick-

names, residential and business addresses as well as relationships to decision-making parties such as a parent, spouse or trust fund.

Mose estimates that Morgan Stanley's financial advisers will cut one hour a week from their client preparation time, which would allow them to spend more time on sales. Hence, the project when completed—Mose declined to specify a timetable—will effectively add 206 financial advisers to the company's roster.

Morgan Stanley's analysis of return on investment appears to reflect a growing industry trend where firms are seeing the benefits of data management projects: The end goal is no longer simply regulatory compliance, cost cutting or operational efficiency but revenue growth.

At Chapel Hill, N.C. money manager Smith Breeden Associates, what began as a counterparty data project in 2004 aimed at fulfilling anti-money-laundering requirements has transformed into a broader program to create a single data warehouse for client and securities master files, which will rely on Netik's InterView 7 data warehouse. "We will benefit from more-sophisticated client reporting and are able to increase the amount of data stored based on growing trade volumes," said Marianne Mewkill, chief operating officer at Smith Breeden, which has \$28 billion under management.

While Smith Breeden's project will be completed over three years, efforts at other buy- and sell-side firms could take far longer. Several speakers noted that the duration of a project is typically a function of the size of the organization and the complexity of integrating a repository with multiple downstream applications. The lengthy timetables will undoubtedly reduce the return on investment for these projects and make it more difficult to get management to endorse the effort. ■

Netik

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Banishing the nightmare

A data warehouse is key to automating client reporting

These days, COOs within buy side and investor services firms will rarely invest in pure STP projects. With investment strategies embracing complex alternative instruments whose support operations are necessarily so manual, there is clearly still much to go for, but rather than invest directly in their operations, buy side firms prefer to export the problem of achieving a highly efficient back-office. Outsourcing is the new hip philosophy.

An area that continues to attract technology dollars is customer interaction, whether via paper, electronic documents or web based delivery for queries or data mining. This has become a mainstream requirement since a few banks led the way by delivering multi-channel customer interaction.

There is a subtle link between STP and customer interaction. The link is to be found within a key branch of customer interaction, client reporting. This is the process whereby asset managers or their agents must regularly report back to their clients on portfolio valuation, P&L, comparative performance et cetera. Despite its importance as a high profile touch-point with clients, client reporting is universally regarded as a burdensome process that is still highly manual and therefore prone to embarrassing errors. This is particularly so in the preparation of monthly and quarterly report packs that must have very high quality output often delivered in hard copy. Data must be assembled from multiple sources, both within and outside the firm, including unique commentaries. Client reporting is thus a data management problem of huge proportions and is ripe for re-engineering.

To understand the full extent of the problem, one needs to look at the stages of the process: collection and consolidation of the information, integrity checking, selection of relevant information and formats required by the customer, authorisation of the pack of information and scheduling the information to be distributed through multi-channels.

The task of collection is substantial, as data will be distributed across multiple platforms within the enterprise and will include sources outside the firm as well. Portfolio accounting information may reside in several different accounting platforms in the firm. In addition to accounting information, the process must bring together information from the transfer agent plus fund performance and risk analytics along with economic commentaries and tailor-made commentaries from the fund manager himself.

Once these disparate inputs are gathered together and staged in consolidated form, their integrity will need to be checked for consistency. It is at this point that many firms find the need to intervene with manual adjustments to numbers and tables. This stage will be either simple for very straightforward reports or significantly more complex for monthly/quarterly board quality reports.

The next set of tasks converts the assembled data into information. Individual report schedules are run, data is cut and pasted, staff mess around with formats and templates. Once the information is in the correct format the documents need to be checked and authorised before distribution. Distribution will be both paper and electronic and must be carefully scheduled. Many of these customer reports must be produced within a short period at the end of the month.

If ever there was a process that needed automation then this is one. There are two critical elements to re-engineering client reporting. The first element is a new generation of reporting engine that can transform the reporting process into one of mass customisation – the production and distribution of customised report packs on a mass basis. The key pre-requisites to the process are the initial two tasks of data collection and consolidation. The question is, collection and consolidation to what and through what? Even the best of reporting engines will be rendered useless without these data and information management aspects. The answer is a data warehouse and this is the second critical element.

The reporting engine must: have workflow tools that govern the definition and assembly of report packs with a different shape from one client to the next; break down each type of report pack into its constituent modules and focus on automating the production of these modules in the most efficient manner possible; make the client feel this report was produced specifically for her; continually check the data for consistency; and deliver the end result across multiple channels.

But it is most definitely the data warehouse that enables such a reporting engine to do its job properly. Through data warehousing combining integration, data checking and reconciliation, report writing, workflow and a complete data model of the financial industry, the client reporting process can be highly automated today. Thus the recurring nightmare becomes merely a bad, dim and distant memory.

Colin Close is COO at Netik



By Colin Close

98

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Hedge Funds Hire Front-Office Help

By **CHRIS KENTOURIS**
Senior International Editor

In the hedge fund administration game, what counts are skills, not size, say market players, citing Mellon Corp.'s recent acquisition of DPM's \$10 billion book as the latest case in point.

Granted, Mellon is a relative latecomer: Bank of New York, State Street, JPMorgan and Citigroup have already bought out independent operations over the past few years. But Mellon, like its competitors, is betting on more than just deep pockets to stand out from the pack.

"We will leverage DPM's platform in the U.S. and Europe, while adding some of Mellon's reporting capabilities," says Paul Adamo, first VP of Mellon Global Securities Services. Indeed, one of the reasons the firm was interested in a Mellon takeover was expanding its reach in Dublin, where Mellon already has a stronghold in institutional fund administration.

The Somerset, N.J. firm's proprietary platform specializes in the valuation of complex over-the-counter (OTC) derivative instruments, and appropriately so, since over half of its 91 clients are not stand-alone hedge funds but asset allocators that rely on convertible arbitrage, macro-trading and credit default swaps. The client base also ties in well with Mellon's traditional strengths in servicing large financial institutions.

The needs of asset allocators are considered far more complex than those of stand-alone funds or "funds of funds" because the administrator must set up connectivity with multiple fund managers, multiple prime brokers and multiple administrators. In stand-alone hedge funds, fund administrators typically recon-

cile the cash and securities positions of multiple prime brokers with those of a single hedge fund manager. Funds of funds also rely on a single fund manager, but more closely resemble asset allocators for hedge fund administrators in that they must reconcile the positions of multiple underlying administrators and prime brokers for each underlying hedge fund.

"Only one out of ten hedge fund administrators is really able to handle the more complex trade order management, valuation, reconciliation and reporting work needed for fund of funds."

*— Brian Shapiro,
CarlsonBlund Consulting*

Sources say that Credit Suisse and Deutsche Bank are among DPM's roster of asset allocator clients, but Mellon would not confirm this. DPM has cited the S&P Plus Fund as one of its 91 clients, which in turn represent about 600 underlying hedge funds.

Of the three hedge fund managers in Mellon Financial's stable, one—Mellon HEV—had already signed up for DPM's services.

As it approaches \$1 trillion in assets under management, the hedge fund industry owes its expansion in large part

to greater interest from pension funds and endowments, which historically have invested in long-short strategies. U.S. institutional investors are expected to raise their investments in hedge funds to \$300 billion from \$66 billion over the next five years, according to a joint report by Bank of New York and Casey, Quirk & Associates.

The diversification of hedge fund investors—often referred to as "institutionalization"—has increased the need for transparency, which in turn is increasing demand for outsourcing of middle- and back-office services, the Securities and Exchange Commission's requirement that many hedge fund managers register as investment advisors in 2006 will only encourage that trend, market players predict.

Hedge fund administrators are required to service a product inventory that goes well beyond traditional bonds, cash and equity funds, and they also often offer order management, risk analysis, performance measurement, regulatory compliance and other functions previously provided by hedge fund managers themselves or by a prime broker.

This exhaustive list of requirements naturally forces hedge fund administrators to look more closely at new software solutions and new ways of leveraging legacy technology. The tie-in with Mellon, for example, might allow DPM to capture transfer agency business from its clientele, which now typically relies on in-house platforms or other third-party providers.

The same goes for Citigroup. "Our platform is able to provide all of the services in a consolidated fashion," says Richard Ernesti, head of sales for Citigroup's hedge fund administration business, referring to

technology Citi inherited from Forum Financial.

Since acquiring Forum Financial (FF) last year, Citigroup's total hedge fund assets under management have more than doubled to \$12 billion say sources, thanks in large part to networking with attorneys, accountants and hedge fund consultants. "It's still word of mouth. Unlike their traditional investment fund peers, hedge fund managers put out few requests for proposals," Ernst says.

Funds of funds, which account for an estimated quarter of the hedge fund market, are attracting the most attention from hedge fund administrators because they are popular with institutional investors.

However, according to some industry observers, many hedge fund administrators have a lot of work to do in fully automating tasks that are still done manually in Excel spreadsheets or helped along by the piecemeal integration of multiple systems.

"Only one out of ten hedge fund administrators is really able to handle the more complex trade order management, valuation, reconciliation and reporting work needed for fund of funds," says Brian Shapiro, president of buy-side consultancy CarbonRoad Consulting, who has authored several reports on the state of technology in the hedge fund arena.

Last week, HSBC confirmed talk that it was expanding in the fund-of-funds arena, inking a licensing deal with Netik to use an information portal based on its InterView 7 data-management hub. In doing so, HSBC allows fund-of-funds managers to consolidate information from third-party platforms as well as their own and HSBC's. This data will initially include the prospectus of the individual hedge fund as well as its past performance. Fund managers will eventually also be able to automate subscriptions and

redemptions instead of relying on faxes.

It could not be determined how many hedge funds will be involved, how many managers HSBC is targeting, or when the installation of Netik's InterView 7 will be finished. HSBC's main hedge fund servicing centers are in Bermuda, Dublin, Luxembourg, Hong Kong and New York.

"While fund-of-funds managers have always been able to access a multitude of information, the process has not been efficient," said Alan Smith, global head of client relationship management in the alternative investments unit at HSBC, which entered the hedge fund administration arena with its takeover of Bank of Bermuda last year. Smith says Netik's InterView 7 will be marketed to fund-of-fund managers directly rather than on a private label basis, as other technology providers, such as SunGard, have done. HSBC uses SunGard software to price OTC derivatives.

Bank of New York (BNY), which joined the community of hedge fund administrators with its acquisition of IFA two years ago, will also rely on Netik's technology to expand its fund-of-funds business. "Using Netik, we can offer automated workflow control tools and Web-enabled reporting," explains Marina Lewin, a managing director in BNY's hedge fund administration unit. "Integrating the Netik engine with our safekeeping platform will allow for automated position tracking." She declined to describe the timetable for implementation.

The choice of Netik is no surprise: BNY bought a 51-percent stake in the software vendor last year.

Also on BNY's agenda is improving how it prices non-exchange traded contracts. Hedge fund managers must rely on a combination of their own modeling and third-

party sources. Hedge fund administrators have historically rubber-stamped prices provided by their hedge fund managers—a process known as "NAV-lite"—but are now doing more and more of their own diligence, as BNY indicates.

"The bank will not run its own model, but will diversify the pool of contributors to its pricing of derivative contracts," says Lewin, although she won't specify the number of pricing sources BNY uses.

While alpha-generation remains the primary driver for hedge fund managers, transparency issues are also pushing hedge fund administrators to offer risk management and performance attribution tools. Hedge fund managers are becoming increasingly aware that they must justify their decisions to investors, not only in order to comply with investment guidelines but also to command the hefty fees they're competing for.

For that reason, more of the money hedge fund administrators spend on technology in 2005 will be in the front office than in the back office—a paradigm shift that coincides with the completion of much of the integration work on newly acquired IT systems.

"We are exploring a number of options, including the measuring of volatility against benchmarks such as the fed rate to better determine risk for interest rate and other debt contracts," says Gary Enos, EVP and head of hedge fund administration for State Street.

Faster execution and decision making is another urgent demand, but the jury is out on how the parameters should be set, and Enos believes the ability to strike daily net asset values for all hedge fund clients is still a long way off. "Most of our clients still rely on weekly or monthly valuations, and I don't see that changing any time soon," he says. ■

Netik

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The fashion of the season

Regulatory and compliance pressures have pushed improved data management high up the agenda for all types of firms, but building a business case for investment in this area is not straightforward, and success is by no means guaranteed

By Luke Jeffs

□ Data management has become one of the greatest challenges facing buy and sell side firms as they struggle to come to terms with new regulatory compliance requirements and increased pressure on operational platforms. There are new methodologies coming to market, however, that might allow them to mitigate these responsibilities.

Data management is as old as the capital markets business itself, but it is only relatively recently that the importance of effective data management has generated the attention it warrants. This change of profile is partly a response to new regulation and partly following the realisation that inaccurate or old data is perhaps a greater influence on operational inefficiency than any other single factor.

Some 10 years ago the infatuation was with the functionality of indi-

vidual software solutions, a bias followed by a focus on the interoperability of systems as firms discovered that the best of breed approach was not necessarily practical. In the past three years the emphasis has changed again from the openness of systems to the need for consistent data management architectures across not only individual process flows but entire organisations. Efficient data management, we are told, has the potential to improve both your trading and operational efficiency, while keeping customers sweet and the authorities from darkening your door. It almost sounds too good to be true.

The reality, however, is that justifying an investment in, and then implementing, a data management solution represents a complex set of challenges. The return on investment that firms might expect from a

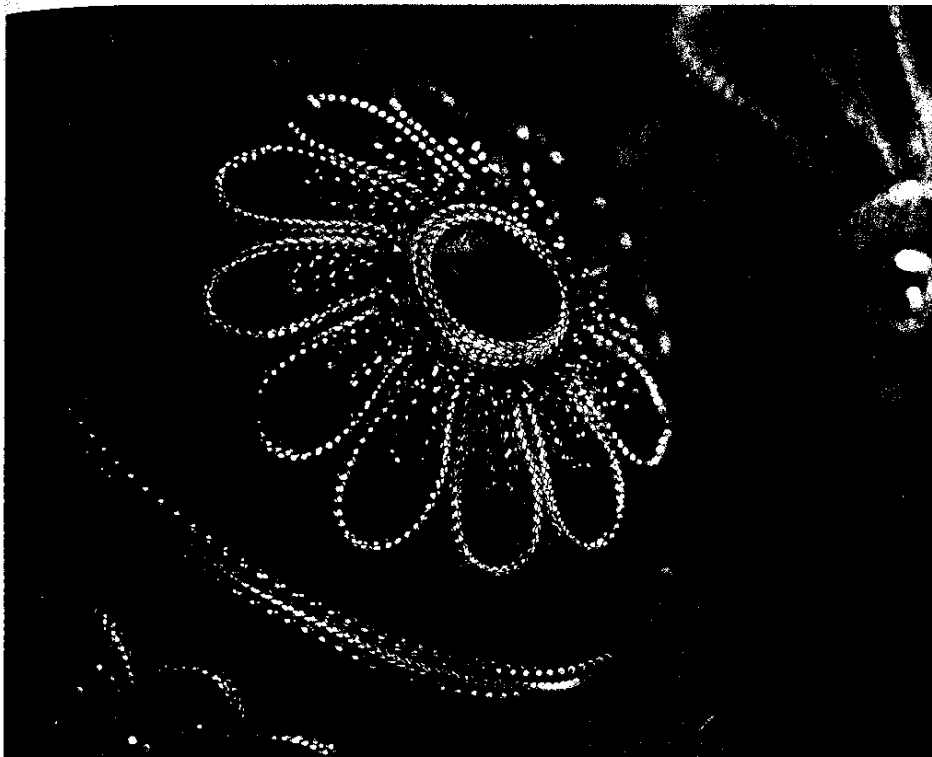
new data management regime is not easy to ascertain. Losses derived from settlement failure may be quantifiable, but it is not always obvious to what extent inaccurate data was responsible for any failure. The potential savings that can be generated from rationalising data feeds are more tangible. Yet the revenue that would have been derived from trading opportunities that a firm has not been able to take exploit because of lack of data and the potential ramifications from the regulators following non-compliance are impossible to value.

Installing a data management infrastructure is no mean feat either. Establishing a single, enterprise-wide data repository is understandably a massive undertaking and as such it requires significant resource and stamina. Many large institutions have attempted these implementa-

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tions in the past and been met with varying degrees of success. Data management solutions and the resources that support them have improved exponentially over recent years, but newcomers to this business should be under no illusions that this is a simple project. The rewards are potentially great, but they come at a price.

Unfortunately many investment banks and managers have little choice but to undertake this arduous journey. According to a recent report by Accenture entitled *Data Management: The Quest for Quality*, the rigorous maintenance and reporting of information is now a regulatory imperative for capital markets firms. "The capital markets industry has fallen behind in its ability to transform raw data into useful information and insight. Part of the problem is cultural. Data is generated in mul-

tiple business silos at the point of need, and one time initiatives are launched only for specific purposes such as consolidating client data, mitigating client/counterparty risks, and analysing opportunity costs."

The disparate data framework that firms rely on today directly contributes to sub-optimal trading, inaccurate customer statements, inefficient corporate actions processing and the likelihood that clients receive an incorrect entitlement, explains the report. There is a lack of standardisation of data classification and management across the industry and individual firms, Accenture adds.

Speaking to STP, Pat Tsien, partner at Accenture and author of the report, describes the current practices of financial services institutions as problematic. "Today, the vast majority of firms have their reference data residing in different vertical silos.

This creates problems in terms of monitoring the data as it is used across organisational boundaries and different underlying applications. There is also a massive challenge in terms of pulling it all together for the purposes of reporting, particularly for risk management purposes."

Asset Control is one provider of data management solutions to banks and the buy side. Its CEO Ger Rosenkamp concurs with Tsien's observation. "Before adopting Asset Control, our clients typically manage their data in decentralised data silos supporting different types of data, specific applications or various global offices. When this approach reaches its structural limitations in handling new types of data or meeting new business requirements or simply handling increasing volumes, these firms look for new solutions." 

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Over recent years, firms have considered different solutions to the heterogeneous nature of their data landscape, but the consensus now is a centralised data repository that serves the entire business. "The answer to the problem is to implement a data model at a central point and then map all the information to a consistent data model for all applications," argues John Wise, the CEO of Bank of New York-owned Netik. "This is where the smart money is today."

Netik has identified a number of drivers for the centralisation and harmonisation of data management practices. The ability to produce consolidated reports is massively compelling for firms which have traditionally maintained their data in disparate systems. The production of accurate reports is also incumbent on securities players from both their clients and regulators. Data rationalisation and consolidated accounting have significant potential in terms of delivering operational efficiencies, suggests Wise. Proficient systems will have a workflow capability for the purposes of exception management, which further boost operational efficiency levels.

The implementation of a centralised data management facility also makes sense for investment management houses looking to outsource, says Netik. "Firms need to establish a boundary between themselves and the entity that they are outsourcing to," comments Wise. "Compliance is also a big consideration."

For Tsien, the consolidation of reference data management into a single source is particularly necessary to prevent the inefficiencies associated with the fragmented and dysfunctional data models that firms operate today. While many of her arguments are equally applicable, at a high level, to other types of data, such as index data or pricing data, reference data seems to be the first subset of financial information that firms have sought to address.

Based on conclusions from the TowerGroup, which found that 40 per cent of trade fails are the result of inaccurate, incomplete or inconsis-

sistent reference data, and work undertaken by the Financial Times which concluded that settlement failure costs the industry nearly \$12 billion each year, Accenture estimates that poor reference data costs the industry \$5.5 billion in overheads related to non-settlement alone.

There is also massive duplication of investment, in the cost of data-

ties resulting from poor reference data. The importance of producing accurate customer statements, which is dependent on the precision of the underlying data, should not be underestimated.

The benefits of centralising data accrue over time, says Rosenkamp. "The rationale behind centralising data management is you can manage it early and once, or you can



Our initial discussions with clients are sometimes complicated by the fact that they don't have a clear picture of how much their current data infrastructure is costing them. Because the function of data management typically resides in different departments it can be difficult to get a handle on how much it is costing

Dale Richards SunGard Data Management Systems

base maintenance and subscriptions to data feeds, and effort on the parts of the personnel that manage these master files, which can be avoided by managing these functions centrally. "Currently, some global broker/dealers maintain more than 100 security/entity masters for access by both buy side and sell side. Many of these firms also operate 50 or more legacy applications," explains Tsien's report. "Global broker/dealers spend more than \$50m each year to maintain reference data, employing more than 200 business analysts and 50 to 100 application developers who are dedicated to reference data-related work. For the industry as a whole, the annual cost of reference data maintenance is in the range of \$2 billion to \$3 billion."

More formalised approaches to reference data management can also contribute to lower transaction costs and the reduction of fines and penal-

manage it later and many times. Centralised data gathering, cleansing and integration provides a consistent version for applications and users. It puts the entire institution on the same page, fosters STP and eliminates the costs and risks of manual intervention in reconciling differences between the internal data repositories."

It is no coincidence that the focus on data management coincided with the deterioration of the financial markets and the requirement on the parts of securities houses to drive down their overheads, says Richard Gissing, CTO of data management specialist Gissing Software. "When the markets were going through their recent bad patch and margins were squeezed, it was important that firms had accurate pricing and background reference data to protect these margins. It is unlikely that a firm is ever going to win business

because of the accuracy of its data but it is possible that it might lose business if its back office is inefficient. Greater operational efficiency allows our clients to price their services more aggressively."

Between a fifth and a third of Netik's current effort is dedicated to specific reference data projects. According to Wise, reference data tends to be the starting point for some firms in their attempt to implement a complete data management infrastructure. "They probably have some major operational efficiency issues and want to focus on that before turning their attention to other types of data." An indication of the driver for data rationalisation is who is behind the programme. "If it is coming out of the business side, it will more likely be a consolidated reporting issue," says Wise. "If it's sponsored by operations or IT, it's more likely an operational efficiency challenge. It is probably about 50/50 consolidated reporting and operational efficiency today."

A recurring problem for the sponsors and providers of data management solutions is establishing the business case for investment. The return on investment that may be derived from a new trading system is relatively easy to establish; the financial benefit of implementing a consistent approach to data is more nebulous, however. Tsien comments: "Because there are silos with different sets of data and different teams managing that data, the overall business case for centralising your reference data is complicated. It is impossible to consider the business case in terms of a lower total cost of ownership. It is also difficult to establish what kinds of cost efficiencies might be derived from a new solution."

Dale Richards, president of the Enterprise Data Management unit at SunGard Data Management Systems, concurs with Tsien's view. "Our initial discussions with clients are sometimes complicated by the fact that they don't have a clear picture of how much their current data infrastructure is costing them. Because the function of data management typically resides in different

departments it can be difficult to get a handle on how much it is costing." There have been some attempts to develop templates for developing a business case, but these have been largely futile, Richards comments. "It is difficult to establish a quantitative measure for the value of efficient data management. For example if your data is 99.5 per cent accurate rather than 99 per cent, what are the implications of this for your VaR? It is hard to tie it back."

The providers of these types of solutions are used to these arguments. Stuart Plane, a director at Citadel Associates, proffers two points. "The ability to rationalise data feeds from several licences down to one is an immediate benefit and this alone can justify the investment in a consolidated data management infrastructure. Secondly the adoption of a consistent data management approach enables investment managers to halve the implementation times associated with other systems, such as order management, compliance or performance applications, which is ultimately what the fund managers care about."

Pedrag Dizdarevic, partner and executive vice president at Capco, which offers a range of data management solutions and services, argues that the business case is strengthened significantly if the cost of exception processing and errors is included. "In terms of data, the major cost is associated with the exceptions they have to resolve resulting from inaccurate reference data. If you multiply these costs by the number of counterparties affected the numbers can be huge. There is no clean-cut methodology for determining the cost of poor reference data but if you include the cost of exceptions the argument is simplified."

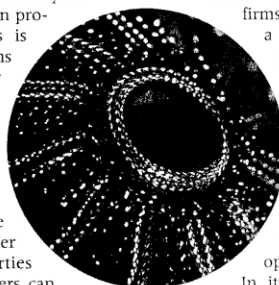
The importance of the data management business case has been undermined however by the regula-

tors. Compliance with new regulation has turned consolidated data management from a nice-to-have to a must-have. Liz Maloney, the UK managing director of Hummingbird, an integration and data management specialist, told STP: "Often the usual criteria of cost and benefit are important but the increasing requirement for compliance to regulatory requirements has changed that discussion somewhat. Firms have to be seen to be honouring their duty of care, which is a much more important consideration. There has been a shift in the mindset. Compliance requirements have forced firms to implement these solutions and it is only after that they tend to discover some of the ancillary benefits."

The industry-wide shift to data management and real-time risk management, says Gissing, is attributable to stricter requirements from the regulators. "The authorities are imposing stricter compliance requirements on firms to ensure that their books are straight. This has imposed additional pressures on firms to make sure that this is the case." The current interest in data management is definitely driven by regulation, concurs Tsien. "We are seeing lots of interest from the risk management areas within banks. The advantage of regulation from our point of view is that it is non-negotiable. It effectively forces

firms to invest in solving a problem that impedes their own efficiency and high performance. When looked at as a compliance issue, the need goes away for a detailed business case addressing a vast and complex operational problem. In its place you have a straightforward regulatory mandate with far-reaching positive business consequences.

"Operational efficiencies are not an afterthought but whereas they used to be the initial basis for investment now the business case is different. Changes to the



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regulatory environment are now the key indicators for investment in a data management environment."

Dizdarevic agrees that regulation is the key driver now. "Basel II, Sarbanes-Oxley and the Patriot Act are all relevant here. There is also the requirement to know and demonstrate what you know to your clients. There is really no choice for financial institutions whether they comply with these requirements. There are dates by which they have to be compliant so the business case is relatively straightforward in these circumstances."

The rationale for investing is seemingly irresistible, then, but converts should be mindful of the many practical challenges associated with implementing these models. Dizdarevic sounds a note of warning: "The data management projects that have been undertaken to date have not all been total failures but I think that most of these types of projects have under-delivered and been over-budget. There have been significant improvements in the vendor offerings, but some banks still prefer to build these solutions themselves. There have been some huge investments in centralised reference data solutions that have not generated much success."

Migrating from a disparate data model to a centralised data repository is a considerable undertaking for all firms, but for large, multinational banks, it may be over-ambitious, at least in the first instance. "The challenges can be exacerbated by the size of some of these firms," says Maloney. "For some firms the task of achieving a single source of data can outweigh the benefits that can be generated by such a feature. The bank has to keep this massive database up to date, which requires real time updates. Some organisations should think about this very carefully because of the sheer volume of data involved." A single, centralised data store does make sense, but for some firms it is simply impractical. Plane is not entirely convinced by the efficacy of the single golden copy of data model. "A global centralised golden copy of all data makes sense

from a data management perspective, but it doesn't make sense from a data perspective. Fund managers and traders in different markets have very different data requirements and need different sources of data. We argue that in many cases multiple golden copies of data better serves the buy side's requirements." In his experience if you try to force fund managers or traders to use an intrusive model, they tend to revert back to using spreadsheets.

Marc Firenze, product manager at Eagle Investment Systems, also advocates multiple data hubs in some circumstances. "We handle security master data and pricing data separately as they have very different data elements," he told STP. "I think that businesses can get away with one golden copy of their security master data, but for the purposes of some of the more specialised data sets a single golden copy of data is perhaps not the best approach. For example very rarely are specific instruments traded in multiple jurisdictions, so often operations in a certain market can devise a single golden copy for that asset class."

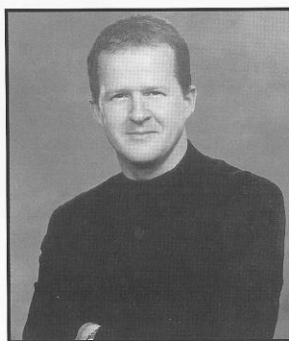
Multiple copies of the data introduce inefficiencies, however, explains Firenze. "Of course another consideration is, does the client want to spend more time on data validation than is probably necessary, which could be the case if they have multiple security master files. It is preferable not to have to run validation testing across more than one



security master file if possible." Netik argues that the maintenance and management of data centrally is the most effective approach, but a model that involves the data being maintained centrally but scrubbed locally can also deliver efficiency. "Local subscriptions to data feeds and scrubbing are obviously not cost effective," states Wise. "We suggest that the client consolidates the feeds into one area. The data can be scrubbed centrally or locally, which is perhaps not ideal but sometimes there is local expertise and local requirements that mean scrubbing locally makes more sense." From a political point of view it can be advantageous to allow the locals to scrub their own data, Wise adds.

Plane believes that while these centralised data storage features are fine as far as they go, they are only storage facilities. The data warehouses on the market today have little in the way of data import or export technology. The main challenge, according to Plane, associated with implementing a consistent data infrastructure, whether it relies on multiple copies or a single copy of data, is getting consistent, auditable data into and out of the end user systems in very short timescales. A consistent theme is that the hard part of a data consolidation implementation is identifying the correct source data and combining it into the structures required by the business.

Given the extent of some of the challenges involved in developing and maintaining an



Wise: centralised data management makes sense for firms looking to outsource

internal model for data management, it is perhaps understandable that some banks, brokers and investment managers are looking for a third party to assume these duties on their behalf. Says Richards: "I think firms are realising that basic data management does not generate competitive advantage or new rev-

enue streams and they are questioning why they should do it themselves when there are experts out there that can do it for them. Regulation is always a factor in these decisions, but I think the cost of building and maintaining proprietary solutions is also relevant in firms' decisions to outsource to a third party." Outsourcing data is potentially one solution to the management and distribution of commoditised data, that is information from vendors or exchanges.

Pedrag Dizdarevic Capco

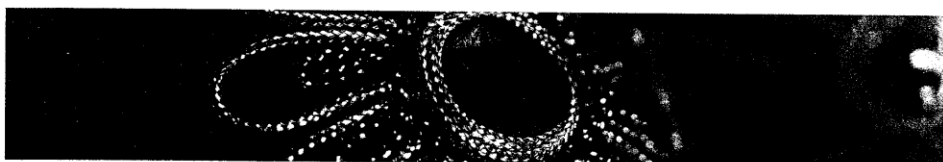
enue streams and they are questioning why they should do it themselves when there are experts out there that can do it for them. Regulation is always a factor in these decisions, but I think the cost of building and maintaining proprietary solutions is also relevant in firms' decisions to outsource to a third party." Outsourcing data is potentially one solution to the management and distribution of commoditised data, that is information from vendors or exchanges.

SunGard Data Management Systems is launching a third party reference data management service in January. Already in this space are Accenture, Asset Control, Butterlink and Capco. All of these solutions, however, refer only to basic, vanilla type reference data rather than any of the potentially more valuable information sets. Says Richards: "Some firms argue if data management is so strategic to a firm, why would they choose to use a third party product? If you look at the

establish a golden copy. This in no way impinges on anything proprietary that a firm does."

Richards reports particular interest from tier one clients. "The challenge is enabling them the luxury of customisation but marrying that with the concept of mass production," he says. "Many of our prospect clients have put RFPs out to the market for a data management tool to be implemented inhouse. They have looked around the market and I think the operational expenditure associated with a shared service makes a lot of sense. The decision process hangs on whether we can provide them with the level of service and the customisation they require. The total cost of ownership side of things definitely stacks up." Dizdarevic agrees that a managed service may make sense for a large tier one investment bank, particularly those that have built or inherited systems, but he believes that this kind of proposition is equally relevant to smaller buy side firms that might only want a sub-set of data.

Of course the big question about these kinds of services is, who owns the data? Typically the end client will still hold a contract with the data vendor and the third party managed service provider sits between them. Given these services are designed to reduce the end client's expenditure on data, the



The data management projects that have been undertaken to date have not all been total failures but I think that most of these types of projects have underdelivered and been over-budget. There have been significant improvements in the vendor offerings, but some banks still prefer to build these solutions themselves. There have been some huge investments in centralised reference data solutions that have not generated much success

data vendors are understandably suspicious. A model that is beneficial to all parties has yet to be defined.

Undoubtedly there are lots of issues involved with implementing a single data management infrastructure. The benefits are obvious, if not necessarily quantifiable. Data consistency ensures settlement efficiency, which avoids fines and penalties, as well enabling superior customer servicing. Regulatory compliance is another key factor.

The challenges are equally noteworthy, however. These projects are complex, expensive and time consuming. Isolating data in and exporting data from legacy systems is a challenge, as is establishing the best infrastructure to serve numerous different end users. Interestingly some financial institutions report that the evaluation of their existing data management techniques was beneficial in itself, irrespective of whether they went on to implement a new infrastructure or not.

Securities Industry News: Netik-BNY Case Study

Securities Industry News

<http://www.securitiesindustry.com/article.cfm?id=11727878>

Securities Industry News

November 1, 2004

Bank of New York Overhauls Business Engine

Removing redundancy and enabling universal access to data supports expansion into new businesses

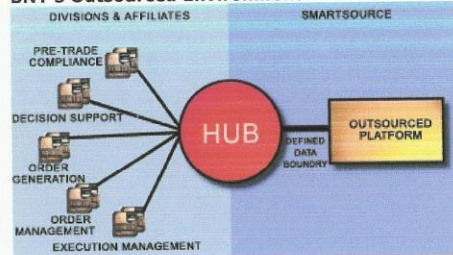
By Shane Kite, Correspondent

November 1, 2004 - With an eye to making effective use of a bulging portfolio of buy-side acquisitions made over the past ten years, Bank of New York senior management has recently given an initial green light to an aggressive IT integration effort. It's all part of an assertive move into asset management by a firm with a venerable reputation in the industry as a custodian and settlement bank.

Client data from the bank's institutional, hedge fund, wealth management and brokerage affiliates will be merged into a single data repository. All back-end trade-processing duties will be transitioned to the bank's SmartSource unit, which also provides back-office services to outside firms.

In going ahead with this ambitious project, the nation's oldest bank--until now known primarily as a global custodian and settlement service provider to Wall Street brokers and other institutions--is betting that removing redundancy and providing universal access to customer data will boost revenues by convincing established individual and institutional clients to entrust further assets to an expanding menu of management services.

BNY's Outsourced Environment



All back-end trade-processing will be transitioned to the bank's SmartSource Unit.
Source: Netik

Rolling Out

By mid-2005, the bank plans to have completed installation of the InterView Investment Hub--a data warehousing product from Netik. InterView will route and manage information from all of the bank's asset-management and trading divisions and affiliates, including legacy systems to be integrated as a result of mergers and acquisitions. The idea is to integrate all these components into "a seamless, open architecture," said Sheldon A. Kohn, senior vice president for The Bank of New York's information technology unit.

And to ensure that all this gets done, BNY has made a "strategic investment" in Netik-with whom it also plans to partner, in a bid to market integrated data solutions to other financial institutions.

InterView-already in use by the bank's SmartSource unit-will also feed into new order management systems (OMS), says Kohn. The bank believes that swapping out its old order systems will improve support for its fixed-income, index, and short-term money management trading desks.

BNY currently uses Macgregor's OMS for equities and short-term money management. For fixed income, it uses a hodgepodge of systems, including Bloomberg and some legacy "homegrown" systems that, Kohn says, "we feel it's time to replace." The short-term desk deals in repos and master notes; the index desk in domestic issues, as well as American Depositary Receipts (ADRs) of foreign issues.

"Around equities and options, we've got best-of-breed systems in place, and we're fairly satisfied with the processing," Kohn said. "I think in the other three desks we need to bring some new technologies to bear

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in 2005."

These changes will be subject to ongoing executive review, of course, and reaping the benefits of long-term operational efficiencies will depend on the continued commitment of the bank's senior executives to funding the unit. But Kohn thinks he has that management support.

"Overall spending in 2005 should definitely exceed what we've allocated to 2004," Kohn said. "The last two years have been hard on technology spending for all firms, and it's been competitive here as we fought for IT budgets." Kohn says he has learned to be realistic in his expectations about resources. Total IT spending at the bank overall was about \$1 billion last year, according to BNY.

On the other hand, there is increased awareness of the role technology plays in asset management, Kohn says. "There's agreement across the board regarding how important it is to continue to improve our trading capabilities," he observes.

Counting the Take

The May 2003 acquisition of Pershing capped what had been an extremely acquisitive ten-year period for Bank of New York, during which it closed a whopping 80 deals. BNY's buy-side units and affiliates now collectively manage about \$93 billion in assets, including both institutions and private clients.

A number of those acquisitions will participate in the shared database project, including Estabrook Capital Management, a New York-based wealth manager the bank bought in November 1999; the Garden City, New York-based hedge fund manager Ivy Asset Management, purchased in 2000; the Malvern, Pa.-based Lockwood Financial Group, a separate managed accounts (SMA) provider acquired in October 2002; Gannett Welsh & Kotler, a Boston-based high-net worth manager and fixed-income specialist, also acquired in 2002; and Pershing, the bank's Jersey City, N.J.-based brokerage services subsidiary.

The bank wants to merge account information from these subsidiaries wherever possible. Netik's business rules engine will be leveraged to clean up any discrepancies, and the universally accessible customer data that results will be used to offer a new range of services to customers.

One-Stop Shop

"For instance," Kohn explains, "a high-net worth individual might want to have a brokerage account either directed through a full-service broker or self-directed broker. That brokerage account would be at our Pershing affiliate, but you might have trust accounts for yourself or your kids within the Bank of New York Trust Company. You might have separately managed accounts handled by our Lockwood affiliate. You can have private hedge fund assets at our Ivy Asset Management affiliate."

The challenge, Kohn says, is standardizing data across separate accounting systems, and adding pre-trade and post-trade compliance to products and portfolios that are getting more and more complex.

"We're trying to bring all that together using Netik for seamless reporting and Web access for the client and the trader," Kohn says. "Not every system classifies assets in the same way. It's been a challenge for the whole Street. This involves making sure that your brokerage numbering systems are similar, your tax codes are similar. It's a long-standing problem of different systems using different coded structures and different accounting rules."

Back-Office Burdens

Yet compliance also requires deploying independent systems, tailored to specific accounts, that must constantly gauge investing parameters—both at the individual and the portfolio level, as well as before and after a trade—based on an accurate classification of the transaction, triggering warnings with respect to a large and still growing number of limits and regulations. Packaged solutions simply can't cut it in this respect, Kohn says.

The compliance platforms also have to integrate with Netik's database.

"Just a simple compliance rule—like I don't want to have more than 5 percent of my assets in fixed-income products—requires that every fixed-income trade be identified as such," Kohn said. "So the provider of your asset classification information needs to accurately represent the complex issues, whether it's debt or equity or whatever." In order to execute the rules correctly and in a timely manner, the system not only has to identify the business logic of a given compliance rule, but also has to identify the quality of incoming data.

To lift all of these back-office burdens from the shoulders of its traders and portfolio managers, the bank is porting buy-side trade processing to SmartSource-BNY's global investment management outsourcing unit, which services other firms. "This is to let the investment managers fully concentrate on trading the complex instruments and emerging assets," Kohn explains. "All reconciliation between our investment management units and any of the third-party custodians will be handled by SmartSource."

Untold Story

BNY's plan is not unlike what its peers are doing. Much as ING Group, for example, has sought to bolster its wealth management services in the U.S. by attracting executive clients from its core defined-contribution business to its other service offerings, BNY wants to cross-market to the clientele of its traditional core business. The bank's institutional division, in Kohn's view, is "a very effective business engine, with significant opportunities to grow and increase assets managed directly."

Although significant challenges remain for his information technology unit--formed just four short years ago--Kohn says that adoption of the Netik hub provides, at the very least, a road map for the way forward.

"I think our story has not been told," Kohn said, "because we've been known as a global custodian and securities service provider. But I think there's recognition that the asset management business is rapidly coming into its own, and there's tremendous potential there to increase our client penetration and grow our revenues by improving technology."

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HedgeWeek: Netik Fund of Hedge Funds Launch

Netik LLC, the data warehouse company, has launched a new fund of hedge funds application for the alternative securities market.

Leveraging the Netik InterView Investment Hub platform, the fund of funds application has been engineered to simplify the hitherto complex process of managing and administering portfolios of hedge funds. The application fully manages the flow of fund data across the entire spectrum of investment operations and supports the money management role as well as investor services roles such as fund administrators and prime brokers.

Like the rest of the Netik InterView Investment Hub product suite, the Fund of Funds application makes full use of Netik's 'Information Portal' and 'Data Portal.' The Information Portal allows users to manage 'content' and to access their most current fund investment information over the web helping them to select and manage their portfolios.

Such information content includes fund facts sheets, performance summaries, manager reports and fund prospectuses. The Data Portal then provides all the workflow technology necessary for automating the process for submitting subscriptions, redemptions and transfers ensuring that these are uploaded to back-end systems both within and outside the enterprise. In this way, Netik's Fund of Funds application acts as the crucial link between investment managers, administrators and transfer agents.

John Wise, Netik's CEO, said: "Netik's Fund of Funds application has been designed for several of our customers who are leaders in the alternative investment space. The primary goal was to enable investor services providers to enhance their value-added offerings to their customers and to automate, what is up until now, a very manual and complicated process."

"If a fund manager makes an investment in underlying sub-funds," explains Wise, "they have to complete the subscription forms, send them to the administrators, and then wire the money. The administrator then has to maintain on-going communication with the transfer agent. All of this includes multiple validation events for each transaction throughout its lifecycle in an extremely time-critical environment at month end."

"For example," Wise points out, "Investors must have the correct subscription documents and money on the last business day of the month. If this process is missed, delayed, or bungled, the opportunity is gone, as many funds do not have subscription periods till the next month end."

Netik's Fund of Funds application provides investor services providers with tailored workflows, processes and controls to facilitate this transaction processing. If a fund manager wants to make an investment in a new fund, but does not have the redemption money out of another fund, or if the subscription exceeds a deadline, an exception/email alert can be sent to the account manager, notifying them of this event. Exception processing workflow rules such as these are tailored for each client.

Netik's Fund of Funds application has recently been launched and is live with one of the leading global fund administrators. In addition to transaction lifecycle management, the product allows users to create and maintain funds at the fund, class, sub-class, and series level, as well as contact details for all parties of interest.

This application also includes electronic document management for maintaining Prospectus, Dealing forms for subscriptions and redemptions, Financial Statements, and Fact Sheets.

"The fund administrator plays a central role in delivering data accurately and efficiently to the managers and his clients and driving the whole operation forward" states Wise. "As more institutional money is invested into fund of hedge fund products, the frequency of reporting is moving to weekly, and even daily."

The Netik InterView Investment Hub and the new Fund of Funds application provide

multi-channel information distribution, which includes online access inquiry, scheduled reporting, and electronically scheduled delivery of reports or data in various formats via email, or FTP.

Combining the Fund of Funds application with other Netik InterView Investment Hub components, investor services providers are equipped with a powerful solution that includes Global Performance Measurement and Attribution, Compliance Monitoring, and sophisticated multi-way reconciliation.

Background Note: Netik is a provider of data warehouses and investment hubs for the securities industry. Netik's information-centric data management and reporting solutions are based upon a uniquely powerful data model that has been engineered to sit at the heart of Investment Operations and supports Institutional Asset Managers, Wealth Managers, Private Bankers, Fund Administrators, Prime Brokers, Custodians and Investment Operations Outsourcing providers. Netik's proposition solves the perennial problem of how to handle financial data from increasing numbers of sources, rationalise, transform and reconcile it, and accurately route, store and warehouse it so that it can be leveraged as information for front-line business decisions.

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Finextra: Netik Fund of Hedge Funds Launch

Netik launches fund of hedge funds application

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Leveraging the Netik InterView Investment Hub platform, the Fund of Funds application has been engineered to simplify the hitherto complex process of managing and administering portfolios of Hedge Funds. The application fully manages the flow of fund data across the entire spectrum of investment operations and supports the money management role as well as investor services roles such as fund administrators and prime brokers.

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"Netik's Fund of Funds application has been designed for several of our customers who are leaders in the alternative investment space." John Wise, Netik's CEO comments, "The primary goal was to enable investor services providers to enhance their value-added offerings to their customers and to automate, what is up until now, a very manual and complicated process."

"If a fund manager makes an investment in underlying sub-funds," explains Wise, "they have to complete the subscription forms, send them to the administrators, and then wire the money. The administrator then has to maintain on-going communication with the transfer agent. All of this includes multiple validation events for each transaction throughout its lifecycle in an extremely time-critical environment at month end."

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Netik's Fund of Funds application provides investor services providers with tailored workflows, processes and controls to facilitate this transaction processing. If a fund manager wants to make an investment in a new fund, but does not have the redemption money out of another fund, or if the subscription exceeds a deadline, an exception/email alert can be sent to the account manager, notifying them of this event. Exception processing workflow rules such as these are tailored for each client.

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"The fund administrator plays a central role in delivering data accurately and efficiently to the managers and his clients and driving the whole operation forward," states Wise. "As more institutional money is invested into fund of hedge fund products, the frequency of reporting is moving to weekly, and even daily."

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Combining the Fund of Funds application with other Netik InterView Investment Hub components, investor services providers are equipped with a powerful solution that includes Global Performance Measurement and Attribution, Compliance Monitoring, and sophisticated multi-way reconciliation.

Bobsguide.com: Netik Fund of Funds Launch

NETIK EXPANDS SUPPORT FOR ALTERNATIVE INVESTMENTS WITH NEW FUND OF HEDGE FUNDS APPLICATION

NEW YORK AND LONDON, September 20, 2004— Netik LLC, the industry's leading Investment Hub and Data Warehouse company today announced its new Fund of Funds application for the alternative securities market.

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Securities Industry News: Netik Fund of Hedge Funds

September 20, 2004

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About Netik

Netik is the global leader in providing Data Warehouses and Investment Hubs for the Securities Industry. Netik's information-centric data management and reporting solutions are based upon a uniquely powerful data model that has been engineered to sit at the heart of Investment Operations and supports Institutional Asset Managers, Wealth Managers, Private Bankers, Fund Administrators, Prime Brokers, Custodians and Investment Operations Outsourcing providers. Netik's proposition solves the perennial problem of how to handle financial data from increasing numbers of sources, rationalise, transform and reconcile it, and accurately route, store and warehouse it so that it can be leveraged as information for front-line business decisions.

PC World: Netik-Investec Customer



Netik, the Data Warehouse Hub specialist announced today the win of a major contract from Investec Asset Management for the implementation of Netik InterView in both their Cape Town and London operations.

Netik Investment Hub, known as Netik InterView, is a specialist Data Warehouse product for Data Management and Consolidated Reporting in the Securities Industry. Netik is leading the market with several financial institutions recently having selected Netik InterView. These include UBS, Bank of Bermuda, Fortis, Bank of New York as well as a leading Investment software house, Advent Software Inc.

Kim McFarland, Investec Asset Management COO said "Investec Asset Management needed Data Warehousing technology deployed as a Data Hub to enable seamless transition to our new outsourced operations platform. Netik InterView has been specifically engineered as just such a Data Hub and because it provides a single point for Data Management and Reporting, it forms a clean and consistent boundary to the outsourced platform".

John Wise, Netik CEO, said "Investec Asset Management's vision and approach is directly in line with our Netik InterView '3-2-1-Outsource' program that defines the approach for successfully outsourcing investment operations to any of the outsourcing vendors. The '3-2-1-Outsource' program provides a methodology for defining the systems to be integrated; the data and workflows relating to both systems and operations; and delivers a road map to implement the Data Warehouse Hub as the platform for Data Management and Reporting. The program specifically addresses the need for flexibility and a phased approach to implementation".

Colin Close, Netik CIO, continues "This is further evidence of the extreme relevance of Data Warehouse Hub technology to both the Outsourcing vendor and Asset Managers who are seeking to outsource their middle and back-office operations. Netik InterView is being deployed as a Data Warehouse Hub for Outsourcers such as Bank of New York and Outsourcing Asset Management such as Investec Asset Management. Netik's technology and approach provides a clear roadmap for outsourcing and is having the effect of de-risking the outsource decision because we make the transition possible and, above all, seamless from a client reporting point of view".

Netik is a global leader in Securities Data Warehouse Hubs for owners, money managers and investor services. The Company plays an integral role in the infrastructure for Asset Managers, Hedge Fund Managers, Wealth Managers, Private Bankers, Fund Administrators, Prime Brokers, Custodians and Investment Operations Outsourcing providers in North America, Europe and Africa.

Hedge Funds & Investment Technology: Netik-Investec Customer

NEWS ANALYSIS | NEW CONTRACT | SOUTH AFRICAN ASSET MANAGER SIGNS WITH NETIK

Investec implements **Netik** data warehouse

CAPE TOWN – Investec Asset Management (IAM), the investment management operation of South African investment bank Investec, has begun implementing **Netik**'s data management and reporting system, **Netik** InterView, for connectivity to its outsourced back-office platform.

According to IAM officials, the **Netik** system's meta-data models and Microsoft-based architecture were major factors in deciding to sign with the vendor.

Investec's interest in a data warehousing tool coincided with the firm's initiative to outsource its back-office accounting operations; the outsourcing effort drew attention to the need for a central repository for data management and reporting.

Investec has concentrated its **Netik** implementation more acutely at its London operation, which is both more standardised and smaller (in terms of the numbers of portfolios and funds) than its Cape Town operation. Investec officials expect **Netik** InterView to be implemented in London by the end of Q1 2005, and Cape Town by the end of 2005.

John Wise and Colin Close, chief executive and chief information officer of **Netik**, respectively, say that as more asset managers utilise outsourcing to focus on core competencies, more are becoming aware of the need for more robust data management.

"Traditionally, data warehouses were used for consolidated reporting and for data management, in which you're trying to streamline your operational efficiency," Wise explains. "A lot of people are looking to outsource back-office operations, so a defensive engineered approach is to put a data boundary between yourself and the vendor that's providing the outsourced service."

Close adds: "Investec's implementation takes some of the risk out of that difficult decision to outsource some of their investment operations. It allows them to have a plan to transition to their new accounting platform without disrupting their client touch points, or their client reporting."

Wall Street & Technology: Netik- Investec Customer

Operations Newsflashes

Investec Asset Management Chooses Netik for data warehouse hub

Investec Asset Management hired Netik to implement a data warehouse hub for both the firm's London and Cape Town, South Africa, operations, the vendor says. The Netik data warehouse, called Netik InterView, is a designed specifically for for data management and consolidated reporting in the securities industry. Investec Asset Management needed data warehousing technology deployed as a data hub to let it transition to a new outsourced operations platform, and InterView provides a single point for data management and reporting that is a "clean and consistent boundary to the outsourced platform," Kim McFarland, Investec Asset Management's chief operating officer, said in a statement. Investec will use Netik InterView's 3-2-1 Outsource program, which provides a methodology and workflows for implementation.

Global Investment Technology: Netik-Investec Customer

SPOTLIGHT

Five years ago, I was completely against outsourcing. I used to say these tasks could not be outsourced whilst maintaining the same levels of accuracy and skill.

As we recognized that our UK business was growing, we decided to seek a more variable cost solution without spending additional capital.

Outsourcing Investment Operations to State Street, Investec Seeks a Unified Approach to Technology

Investec Asset Management, a specialty money management firm offering a range of investment services and products with a fixed-income focus, has begun implementation of an outsourcing deal with State Street Bank & Trust Co. that embraces the firm's dual headquarters in Cape Town and London. Under the terms of a single contract, Investec's investment administration operations in South Africa and the UK will use a common technology platform run from an independent hub in both Cape Town and the UK. Investec Asset Management has transferred 66 staff members to State Street. *Global Investment Technology* spoke with Kim McFarland, Chief Operating Officer of Investec, who joined the company 11 years ago, about the deal, as well as how outsourcing is changing the approach to investment operations and technology strategies.

GIT: What are the unique needs for a company with dual headquarters and operations centers?

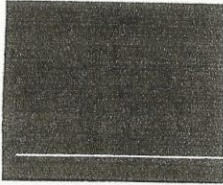
KM: I strived to build centers of excellence in technology and business process thinking in South Africa because it has lower costs. In areas where the UK has a fund skill base, we have used it. Both offices are about the same size. We have about \$40 billion in assets, split about half and half between the two businesses, which are quite different. For example, there are far more institutional mandates done in South Africa, with an emphasis on balanced, equity and fixed-income mandates, as opposed to retail. In the UK, it is more of a 50/50 split between retail and institutional. However, a big chunk of our institutional mandates in the UK are short-dated bond mandates.

GIT: How did you make this decision to go to total outsourcing and choose State Street?

KM: Five years ago, I was completely against outsourcing. I used to say these tasks couldn't be outsourced whilst maintaining the same levels of accuracy and skill. A lot of the decision to outsource was driven out of South Africa where our back-office solution, when I started, was South African-based. I thought it had outgrown its useful life. We began thinking about replacing it and realized that many custodians in the rest of the world had moved up the value chain and started to offer competitive back-office solutions.

Outsourcing is still in its infancy, more so in Africa and the UK, compared to the US. If we were going to outsource, we had to do it now rather than spending a lot to replace back-office solutions. In the UK, we use FMC, a well-known Canadian provider. It was more than what we needed and the number of people needed to maintain it constantly grew. We had already outsourced our shareholder-side transfer agency for client records in our retail business. As we recognized that our UK business was growing, we decided to seek a more variable cost solution without spending additional capital, so we looked at an outsource solution.

We engaged CSTIM (Consulting Services To Investment Managers), which has offices in London and Cape Town, specializes in the fund management industry and has done a lot of work with outsourcing. We put out to tender a memorandum on our business, looking for someone to buy the South African back office and establish something meaningful there. I had to find a company interested in developing in South Africa, which narrowed down the list of interested providers.



McFarland: Rationalizing operating structures.

State Street handles tasks that include trade processing, corporate actions, pricing, fund accounting and reconciliation.

We have not given them the client reporting, because we are comfortable with our solution and client reporting is specific to Investec.

We chose State Street's because their technology solutions were strong and stable and because I was going to work closely with their people in South Africa the cultural match was very good. They spent a lot of time understanding our business, and the approach on both sides was similar, making us more comfortable.

GIT: What parts of the business are outsourced to State Street?

KM: State Street handles tasks that include trade processing, corporate actions, pricing, fund accounting and reconciliation. We have not given them the client reporting, because we are comfortable with our solution and client reporting is specific to Investec. We signed a contract to outsource our business on June 2, 2004. We are in the process of that migration for both businesses. In the same way I built the processes, the business models in South Africa and UK are kept as similar as possible, although some specific issues can't be dealt with in the same manner.

When we did the outsourcing deal with State Street, although each business was at different levels of maturity, I specifically wanted one deal. We have one contract that spans both the South African and the UK business. South Africa was a prominent player. They did a complete lift-out of our operations in Africa. It gives them the base to establish a State Street South Africa operation to take on additional work. The UK, on the other hand, was smaller in the institutional business operations. So it involved transitioning our business onto their existing UK platform.

GIT: Are you using State Street's facilities in both locations?

KM: Yes. State Street is using their core technology solutions in the UK, migrating them out to South Africa. We are migrating onto the same technology solutions called enterprise solutions in the UK. State Street will move the lift-out version we gave them in South Africa onto the same platform. We are now developing the interfaces into the offices. We use the same front-office solution in the UK and South Africa. We are also using Netik middleware for the UK and South Africa, under one contract, enabling Investec to share resources and development teams and to create centers of excellence.

What Investec has tried to do in front-office development is interesting. We didn't want the cookie-cutter approach that some larger order management system vendors use for the front office. We developed a partnership, approaching a new London-based company called thinkFolio Ltd. that was developing front-office solutions, and giving them some of our staff to build the solution we wanted so they could make it commercially viable. thinkFolio Ltd. went on to sell the product to other firms. It worked closely with our IT team. We don't have ownership, but we worked together to develop the actual software.

GIT: What were you looking for that you couldn't get from other order management system vendors?

KM: The costs are quite different. Other vendors can supply a good solution but the costs were high. We probably got our solutions at a tenth of the cost. That was a massive factor. Because we run a lot of short-dated bond portfolios, I wanted to focus on the bond and cash side of our portfolio. The equity is easy. We brought in thinkFolio to work with us and use some of our staff. We are taking that same solution and now implementing it in South Africa. So we now have it in two different front offices.

Continued on next page

SPOTLIGHT

We needed middle-ware to bring spaghetti junction structures together, which involved spending above and beyond that already spent on outsourcing.

One thing that worries me about institutional outsourcing is the lack of a standard business model.

Continued from previous page

GIT: *How does your firm leverage technology to attract investors?*

KM: We think highly of our front office. Consultants are always very impressed with the thinkFolio software we have used, because we modeled it closely on our business and on how the fund managers run their portfolios — not only the bond side but also the equity mandates. We have also used technology well for communication on the retail side, where we deal mainly with individual savings account brokers through bank distribution. We spent a lot of time building Web communication tools. The account representatives always liked these tools because they provide a sense of the brokers and put these representatives there with the brokers for presentations. We are still looking to leverage technology for client reporting.

GIT: *Why is it important for buy-side firms to invest in technology?*

KM: We have always had to use technology for straight-through processing for fund management companies. We created unusual and stable structures, as well as data warehousing for all forms of the business. Outsourcing forced us to drop many of these structures and use Netik to pull everything together. The structures were good, but when put together they looked like a spaghetti junction. We needed middleware to bring these together, which involved spending above and beyond that already spent on outsourcing. But this avoided pulling data from different areas, creating errors that required a lot of manual work. We had 10 different data structures. Using technology to pull data into one source, which reduces the number of structures and the staff time needed to link into the databases has been one of our biggest data and technology costs, but will provide straight-through links to the fund managers. We began adopting the Netik service in January 2004, having realized we had to unwind the spaghetti. Outsourcing our investment operations made us realize we had to own and control our data, and process a lot of middle-office data.

GIT: *Do you have any caveats as you implement these technologies?*

KM: One thing that worries me about institutional outsourcing is the lack of a standard business model. I noticed this when we were building the service-level agreement with State Street. Unlike using retail, this agreement is very specific. Hopefully, over time, more standard models will be built so the outsourcing company can point to those as how they operate. Now it is more about how the outsourcing customer wants to operate and what they want the system to do.

GIT: *Can lack of such a model result in fewer efficiencies coming from scale?*

KM: We wrote the installation — the service-level agreement — in the UK. We just use their platform here [in London]. We asked them to describe how they will work with us each day. Although they have the platform and the structures, the business processes are still not standardized enough. There has not been enough time to do it because the outsourcers are still too client-specific. In a couple years, as outsourcers add more clients, they will have to set those standards to get more cost efficiencies as they take on clients in greater numbers.

GIT: *What is your vision for what your company and industry operations may look like in three to five years?*

KM: There will definitely be more back-office consolidation with outsourcing. Custodians here have contributed to put themselves in that place. It is without a doubt what is happening here and in the South African market. □

Global Custodian: Netik Fund of Funds Launch

21 Sep, 2004

Netik Has New Fund Of Funds Application

Netik has announced a new fund of funds application for the alternative securities market. This comes about three months after Bank of New York invested a 51 per cent stake in the data warehousing group.

The application manages the flow of fund data across the entire spectrum of investment operations and supports the money management role as well as investor services roles such as fund administrators and prime brokers.

The fund of funds application uses of Netik's information portal and data portal. The information portal allows users to manage content and to access their most current fund investment information over the web helping them to select and manage their portfolios. Information content includes fund facts sheets, performance summaries, manager reports and fund prospectuses.

The data portal then provides automates the process for submitting subscriptions, redemptions and transfers. These are uploaded to back-end systems both within and outside the enterprise.

"Netik's fund of funds application has been designed for several of our customers who are leaders in the alternative investment space." John Wise, Netik's CEO says, "The primary goal was to enable investor services providers to enhance their value-added offerings to their customers and to automate, what is up until now, a very manual and complicated process."

"If a fund manager makes an investment in underlying sub-funds," says Wise, "they have to complete the subscription forms, send them to the administrators and then wire the money. The administrator then has to maintain on-going communication with the transfer agent. All of this includes multiple validation events for each transaction throughout its lifecycle in an extremely time-critical environment at month end."

"For example," Wise says, "Investors must have the correct subscription documents and money on the last business day of the month. If this process is missed, delayed, or bungled, the opportunity is gone, as many funds do not have subscription periods till the next month end."

Netik's fund of funds application facilitates the transaction processing. If a fund manager wants to make an investment in a new fund, but does not have the redemption money out of another fund, or if the subscription exceeds a deadline, an exception/email alert can be sent to the account manager, notifying them of this event. Exception processing workflow rules such as these are tailored for each client.

Netik's fund of funds application has recently been launched and is live with one global fund administrator, according to Netik. In addition to transaction lifecycle management, the product allows users to create and maintain funds at the fund, class, sub-class, and series level, as well as contact details for all parties of interest.

This application also includes electronic document management for maintaining prospectus,

dealing forms for subscriptions and redemptions, financial statements, and fact sheets.

Securities Industry News: Netik- Investec Customer

Securities Industry News

September 16, 2004

Investec Picks Netik, Opens Doors

By Chris Kentouris, Senior International Editor

September 16, 2004 - Investec Asset Management's selection of the Netik InterView 7 data warehouse hub for its Capetown and London operations opens the door for Netik with customers of State Street, a main rival of its strategic partner.

The Investec deal is Netik's first with an outsourcing client of State Street's securities processing business, and its first with a South African buy-side shop. InterView 7 boasts more than forty clients, including Fortis, PFPC and HSBC.

Netik has consistently touted its independence, even though The Bank of New York, which owns 51 percent of Netik, might prefer that the firm confine its marketing efforts to BNY's clients. Netik has also made no secret of its desire to win business from buy-side firms that are outsourcing their securities-processing business. State Street's customers are a logical choice, since State Street is BNY's strongest competitor in the middle- and back-office outsourcing arena. BNY announced its purchase of a majority interest in Netik in June.

Officials at Investec could not be reached for further comment, but the firm was reportedly licensing portfolio accounting software known as Pacer from Toronto's Financial Models for its London operations. In Capetown, Investec was relying on a South African software vendor.

Sources close to Investec say that the InterView 7 installation--already underway in the Capetown office--will be completed by next March, and will coincide with the transfer of Investec's assets to State Street's systems. Investec Asset Management's fund-accounting operations in London have already been moved to State Street's technology; other services are expected to be shifted there by next April. The more complicated Capetown operations could take a few months longer.

Sources with knowledge of the deal say that Investec--one of South Africa's largest fund managers--was considering a third-party data warehouse hub before outsourcing its operations to State Street. The deal with State Street merely accelerated the decision-making phase.

State Street's U.S. custodian bank is leveraging the Investec business, along with about 85 staffers--both in London and in Capetown--into a new third-party fund administration operation in South Africa. Its London office also processes assets under the Investec Asset Management umbrella in Guernsey, Hong Kong and Stamford, Connecticut.

Firms using State Street's securities-processing outsourcing services can decide whether to use their own data warehouse, State Street's proprietary system, or another system from DST

International's dedicated data warehouse known as HiDataWarehouse. State Street is marketing

HiDataWarehouse as part of its outsourcing services while DST separately offers some data warehousing capabilities through its HiInvest order management and compliance products.

Netik said that it was selected by Investec Asset Management through a competitive bidding process but would not disclose the other prospects. Sources close to Investec confirmed that Eagle Investment Systems, a subsidiary of Mellon Financial and DSTi, also vied for the business, but Investec considered Netik's data model "superior."

Data warehousing--the aggregation of clean data into a single centralized repository--allows firms to enjoy an enterprisewide view of their data, helping them to better manage their operational and credit risks across product lines and departments. InterView 7 relies on the enterprise information integration principle of data management, which means that interfaces are mapped onto a common data model only once. InterView 7 also provides real-time tracking and reporting of data--a feature of particular interest to alternative-investment trading desks, prime brokers and hedge funds.

ICFA Magazine: Netik-Investec Customer

NEWS

Netik wins through

CAPE TOWN AND LONDON SIGN UP IN DEAL

Netik, the Data Warehouse Hub specialist has won a major contract from Investec Asset Management for the implementation of Netik InterView in both its Cape Town and London operations.

Netik Investment Hub, known as Netik InterView, is a specialist Data Warehouse product for data management and consolidated reporting in the securities industry. Netik leads the market with several financial institutions recently having selected Netik InterView. These include UBS,



Colin Close, Netik

Bank of Bermuda, Fortis, Bank of New York as well as Advent Software Inc.

Colin Close, Netik chief information officer added: "This is further evidence of the extreme relevance of Data Warehouse Hub technology to both the Outsourcing vendor and asset managers who are seeking to outsource their middle and back-office operations. Netik InterView is being deployed as a Data Warehouse Hub for outsourcers such as Bank of New York and outsourcing asset management such as Investec Asset Management.



AFA ASSISTS HSBC

AFA Systems, the global provider of advanced software solutions for the banking and asset management industries, has announced that HSBC Global Fund Services Limited is to use its Socrates Fixed Income Attribution to further enhance its offering for fixed income attribution. With increased portfolio weightings to fixed income securities, HSBC wishes to enhance the high levels of customer service it already provides by offering detailed fixed income analysis and reporting.

Dexia opts for Sungard solution

Dexia Fund Services (DFS), the investment funds administration and custodian services business line of European financial services group Dexia, has selected SunGard's Reech FastVal product in a new agreement.

DFS will use SunGard's Reech FastVal to provide independent valuation of its clients' credit

default swaps, interest rate vanilla and exotic derivatives, equity swaps, convertible bonds and inflation products. This will help DFS to provide an additional value added service and assist the board of directors of the funds to comply with new regulations.

The fund administration industry increasingly confronts

pressure for independent valuation from regulators and investors who seek transparency in pricing and processes. SunGard's Reech FastVal helps fund administrators to provide independent, accurate and speedy computations of the fair value and first order 'Greeks' of portfolios.

Lynx ties up in new agreement

Docucorp International, a leading provider of enterprise information solutions, has entered a new technology alliance with Lynx Wealth Management Systems.

Through the alliance, Lynx will offer Docucorp's wealth management statement software

to expand its well-respected 4Series wealth management product offering.

The data translation and information management technology developed by Docucorp will interface seamlessly with Lynx's 4Series product suite, enabling clients to

aggregate data from the 4Series system and produce high quality documentation, such as tax invoices and financial summaries. The solution reflects the importance that Lynx's financial services and private banking clients place on high net worth customers.

WESTLB GOES LIVE

WestLB AG has commenced live operations on ADP Wilco's Gloss outsourcing platform for its UK-based international equities operation and for its Asia Pacific debt and equity operations. The UK-based equities operation supports 17 legal entities servicing customers across approximately 100 markets.



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INTERNATIONAL CUSTODY & FUND ADMINISTRATION

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Global Custodian: Netik-Investec Customer

NEWS

14 Sep, 2004

Netik Wins Investec Asset Management Contract

Netik, a data warehouse hub specialist, announced today the win of a major contract from Investec Asset Management for the implementation of Netik InterView in their Cape Town and London operations.

Netik Investment Hub, known as Netik InterView, is a specialist data warehouse product for data management and consolidated reporting in the securities industry. Several financial institutions recently having selected Netik InterView including UBS, Bank of Bermuda, Fortis, Bank of New York and Advent Software Inc.

Kim McFarland, Investec Asset Management COO said, "Investec Asset Management needed Data Warehousing technology deployed as a Data Hub to enable seamless transition to our new outsourced operations platform. Netik InterView has been specifically engineered as just such a Data Hub and because it provides a single point for Data Management and Reporting, it forms a clean and consistent boundary to the outsourced platform."

John Wise, Netik CEO, said, "Investec Asset Management's vision and approach is directly in line with our Netik InterView '3-2-1-Outsource' program that defines the approach for successfully outsourcing investment operations to any of the outsourcing vendors. The '3-2-1-Outsource' program provides a methodology for defining the systems to be integrated; the data and workflows relating to both systems and operations; and delivers a road map to implement the Data Warehouse Hub as the platform for Data Management and Reporting. The program specifically addresses the need for flexibility and a phased approach to implementation."

Finextra: Netik-Investec Customer

Investec Asset Management smooths outsourcing with Netik's investment data hub

Investec Asset Management is deploying Netik's Web-based investment data hub product, InterView, at its operations in London and Cape Town, to smooth its move to an outsourced back office system.

Kim McFarland, COO, Investec Asset Management, says the firm needed data warehousing technology deployed as a hub to enable the transition to its new outsourced platform from State Street.

"Netik InterView has been specifically engineered as just such a data hub and because it provides a single point for data management and reporting, it forms a clean and consistent boundary to the outsourced platform," adds McFarland.

Netik says the contract win shows the relevance of data warehouse hub technology to both outsourcing vendors and asset managers seeking to hive off middle and back office operations.

Bank of New York - a keen competitor to State Street for institutional outsourcing business - acquired a 51% stake in Netik in July this year.

International Banking Systems: Who's Bought What? feature

Who's Bought What? - Oct 2004

ISSUE 14.2, Oct 04

CCK Financial Solutions has displaced Sungard at two member banks of the Malaysian **Southern Bank Berhad** group. A letter of intent has been received by CCK for the implementation of its Guava Ops treasury management system at the Southern Bank Group, consisting of **Southern Bank** in Malaysia, **Southern Bank** in Singapore, **Southern Investment Bank** and **Southern Finance**. The outgoing system at Southern Bank in Singapore and Southern Investment Bank is the ageing Matrix, which will lose Sungard's support at the end of the year. Southern Bank in Malaysia is upgrading from CCK's own Infinity product. According to CCK executive director, Helen Glastras, Sungard was the main competitor for the deal with its AvantGard Quantum product.

Implementation will cover the four main sites, with the bank opting for centralised processing. Remote sites will be using the web-enabled facilities. The process is expected to take around nine months, with Guava being rolled out to the four members of the group in a phased approach. Priority will be given to the two Matrix users.

The evaluation process involved staff from each member of the group. Guava will be used to handle treasury functions, covering money markets, securities trading, FX and derivatives, dealing, risk management and settlement, accounting and central bank reporting. An Islamic banking module is to be incorporated. Guava will also cover Southern Investment Bank's corporate banking, custodian and syndication requirements.

Glastras says there is a lot of activity in the Malaysian market, with many banks issuing RFPs and undertaking system reviews. 'Decision timeframes have been long though,' she adds, with CCK being shortlisted on many of the deals.

Netik has won a contract from **Investec Asset Management** for the implementation of Netik InterView in Cape Town and London. Netik InterView, aka Netik Investment Hub, is a data warehouse product for data management and consolidated reporting in the securities industry. Investec will use it as a data hub to allow transition to its new outsourced back office operations platform.

The outsourcing will be run through **StateStreet**. The UK hub will be centred at Canary Wharf in the UK, while South African activity will operate from Cape Town. Kim McFarland, Investec COO, says, 'We were pretty much steered to them via Bank of New York, whom we had also been talking to about outsourcing.' He adds, 'We didn't really look at anyone else.' **Bank of New York** recently acquired Netik.

Jordan National Bank, the third largest bank in Jordan, has signed for **Sungard Treasury's** AvantGard Quantum, Risk and BancWare, through local partner, **MDS**. Rashid Daoudi, deputy CEO at the bank, says, 'Banking technology is progressing at a very fast pace in Jordan due to the Government's policy of making Jordan an IT hub, as well as the entry of foreign banks into the Middle East... we sought a system to help us quickly and easily adapt to these changes.'

Sungard has also signed a deal with **TD Waterhouse** in Amsterdam to supply Quantum and Risk. The bank has also taken the AvantGard-eTX connectivity tool. Yves Sawaya, MD of TD Waterhouse, says the bank wanted to enhance systems integration and remove a number of manual processes.

On the corporate side, Danish shipping company, **A. P. Moller-Maersk**, has gone live with the first phase of Quantum, Risk and e-TX for its treasury operations. The second phase will involve the roll-out of AvantGard e-Treasury Browser for inter-company reporting. Implementation of the IAS39 compliance module is under way. The company decided against upgrading its existing legacy system.

Ubitrade has signed electronic broker, **ProCapital**, for its derivatives clearing and settlement system, Ubix. Paris-based ProCapital is dedicated to institutional equities and derivatives brokerage. Elsewhere, Chicago-based **Gelber Group** has converted from **Rolfe & Nolan's** Risc onto Ubix. The conversion provides Gelber with high volume back office processing of listed derivatives. The company has also taken the Ubix Net@ccess module to enable clients to access and download their positions, statements and trades in real-time.

Calypso Technology has picked up a new signing, and an expansion of an existing site. The new deal is with **NewSmith Capital Partners**, a London-based hedge fund company, which has taken Calypso's system for cross-asset coverage. NewSmith is now in the process of implementing it for its credit and fixed income funds. Meanwhile, **Wachovia** will be expanding its use of the Calypso system to include energy derivatives. The bank is currently live with Calypso for credit derivatives, interest rate derivatives and FX options.

Bobsguide.com: Netik-Investec Customer

INVESTEC ASSET MANAGEMENT SELECT NETIK INTERVIEW INVESTMENT HUB TO ENABLE BACK-OFFICE OUTSOURCING

New York and London, September 14, 2004—Netik, the Data Warehouse Hub specialist announced today the win of a major contract from Investec Asset Management for the implementation of Netik InterView in both their Cape Town and London operations.

Netik Investment Hub, known as Netik InterView, is a specialist Data Warehouse product for Data Management and Consolidated Reporting in the Securities Industry. Netik is leading the market with several financial institutions recently having selected Netik InterView. These include UBS, Bank of Bermuda, Fortis, Bank of New York as well as a leading Investment software house, Advent Software Inc.

Kim McFarland, Investec Asset Management COO said "Investec Asset Management needed Data Warehousing technology deployed as a Data Hub to enable seamless transition to our new outsourced operations platform. Netik InterView has been specifically engineered as just such a Data Hub and because it provides a single point for Data Management and Reporting, it forms a clean and consistent boundary to the outsourced platform".

John Wise, Netik CEO, said "Investec Asset Management's vision and approach is directly in line with our Netik InterView '3-2-1-Outsource' program that defines the approach for successfully outsourcing investment operations to any of the outsourcing vendors. The '3-2-1-Outsource' program provides a methodology for defining the systems to be integrated; the data and workflows relating to both systems and operations; and delivers a road map to implement the Data Warehouse Hub as the platform for Data Management and Reporting. The program specifically addresses the need for flexibility and a phased approach to implementation".

Colin Close, Netik CIO, continues "This is further evidence of the extreme relevance of Data Warehouse Hub technology to both the Outsourcing vendor and Asset Managers who are seeking to outsource their middle and back-office operations. Netik InterView is being deployed as a Data Warehouse Hub for Outsourcers such as Bank of New York and Outsourcing Asset Management such as Investec Asset Management. Netik's technology and approach provides a clear roadmap for outsourcing and is having the effect of de-risking the outsource decision because we make the transition possible and, above all, seamless from a client reporting point of view".

Richard Greensted's Scrip website: Netik-BNY Investor-Partner Deal

Please find attached coverage from Richard Greensted's website, Scrip Issue:

12JUL04: The Bank of New York has made a strategic investment in the data hub and warehouse business of Netik. As part of the arrangement, BNY and Netik will also partner to provide integrated data solutions to financial institutions.

BNY, which uses the Netik InterView Investment Hub product as part of its BNY SmartSource outsourcing solution, will now make the product available to its financial institution client base. The bank's clients can subscribe to the Netik platform on a stand-alone basis or bundled with other services such as fund accounting, custody or BNY SmartSource.

The Netik solution provides data management and consolidated reporting capabilities that leverage its data warehouse for portfolio and investment information, reference data and analytics.data-processing and reporting application for instruments including equities, fixed-income and exotic derivatives.

Reference Data Review: Netik-BNY Investor-Partner-Customer Deal

JULY 2004

Issue 18

Reference Data Review

ALL THE CORPORATE ACTIONS YOU NEED TO KNOW IN THE SECURITIES ADMINISTRATION DATA BUSINESS

Bank of New York Sees Netik's Data Capabilities As Enabler for Outsourced Investment Management

Bank of New York plans to leverage its new 51% stake in Netik, a U.K. software company that specializes in transaction and accounting data management, to add compulsion to the bank's pitch to potential clients of its investment management outsourcing services business. Netik's enterprise data management capabilities – including handling of multiple sources of reference data – is set to play a key role in helping Bank of New York case buy-side outsourcing candidates onto its investment management platform.

As part of the BNY SmartSource outsourcing offering, Netik's InterView Investment Hub will be presented as a straightforward way for clients to migrate from internal portfolio management, accounting and reporting systems onto the Bank of New York platform. Using Netik, Bank of New York clients will also gain access to its internally developed, mainframe-based database of security, entity and other reference data.

Under the deal, announced July 9, Bank of New York is taking its majority stake in Netik as replacement for previous lead sponsor, London-based venture capital group Advent Venture Partners. Netik had been in discussions with Bank of New York about a wide variety of topics, including possibly taking an investment stake, for approximately 18 months. During that period, Bank of New York became a client for

Netik's data management platform.

According to Colin Close, chief information officer at Netik, Bank of New York was seeking direct access to technology that would enable potential clients of its BNY SmartSource outsourced investment management service to quickly make a 'Yes' decision.

The vision entails implementing Netik's InterView at the client site to create a seamless flow of transaction data between various applications used internally in the investment process. The aggregated data can then flow to the Bank of New York platform for processing, and then fed back to client applications for reporting – either internally for portfolio management purposes or externally for client-reporting.

This seamless flow of data, it is hoped, will alleviate the long and disruptive periods when buy-side institutions are unable to communicate transaction and performance data either to internal or external recipients.

Netik's product offerings are largely based on Microsoft Corp. technologies. The data management platform makes use of MS SQL Server and runs within the Windows 2000 environment. Close says the company has capabilities on the Oracle database management platform, but that "our comfort zone is around Microsoft."

The move to acquire Netik's

Continued on Page 7

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 Bank of New York Sees Netik's Data Capabilities As Enabler for Outsourced Investment Management

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 Quest for Unified Entity Identifiers Gathers Pace as Plans Go to WGE

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 Accenture MRDS to Complement Corporate Actions, Market Data

INDUSTRY IDENTIFIER PG13

 Peck, Fox, Newbury, Kohn, Lammersdorf, Wohlschlag, Eichen, Tetter, LoVetri, Posen, Rand, Stallard, Hunt, Lauer, Lawrence, Meadows, Darbyshire, Stroud, Meadows...

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 Cicada Upgrades Rules Management on Composer
AEP Brokerage Services Teams with Xorik for Corporate Actions
EDI Expands Middle Eastern Coverage of WCA, Dividend Feeds
FTI Tops Integrates for StreetDashboard
Xenomorph Offers Souped-Up SQL for Reference Data
Nicholas-Applegate Opta for NSP Platform
FISD to Launch XML Toolkit for Messaging Standards
Eagle Investment Systems Wins Alberta Investment Manager
Asset Control Wins Citadel Hedge Fund Contract
Reuters to Tag FOW TradeData Using RICs
Cusip License Fee Battle Rages On Etc.

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BONY Cont. from PGI

enabling software marks another step in a series of initiatives for Bank of New York that has seen it establish infrastructure in support of its various offerings for servicing hedge funds, fund administrators and custodians. It's also in line with activities within the BNY Securities division, which recently acquired Sonic Financial Technologies (*Transaction Networks & Technologies*, April 2004) and this week announced the launch of its Direct Execution Services product line, based on Sonic's technology.

Netik has built up its reference data capabilities through client requests and implementations.

Close says the ability to handle reference data has been a key ingredient in Netik's data hub development. "Netik's data portal and information portal feature an engineered platform and data model for handling transactional information from the back and middle offices as well as from the front office," he says. "They handle the snowball effect of

reference data from the front office – instrument, client, counterparty – through the middle office – adding price data and benchmarks – to the back office – corporate actions, settlement and custody. The data model has to accommodate all these."

Using Netik, clients will draw upon the data model to identify correctly the various elements involved in a transaction, and aggregate all portfolio and accounting information across the enterprise for distribution, either via some Web-based application, an XML data stream or hardcopy printed materials for client reports.

Close says rather than approaching the underlying reference data management capabilities necessary to support this kind of functionality, Netik has built up its reference data capabilities through client requests and implementations – and continues to do so. Thus, it has developed a toolkit for developing data loaders for multiple data sources, and assembling golden copies, and warehousing and distributing them to downstream applications. That said, Close reckons the reference data management capability has brought Netik into clients that have developed into much wider implementations.

Bank of New York's own data cleansing and repair capabilities are a logical complement to Netik's data management platform, raising the possibility of pure outsourced reference data management for the bank's buy-side clients. Close says the possibilities of the new relationship are still being discussed.

Channel to market

Meanwhile, Netik will continue to market its products independently. It sees Bank of New York as a channel to market, akin to some of its existing relationships, such as that with Advent Software and its Geneva portfolio management platform.

For Netik, the Bank of New York represents an informed investor, whose participation may eventually yield greater benefits than that of a pure VC investor. It also represents a hopefully stable partner, after the corporate wranglings Netik has been through over the past few years.

Bank of New York, meanwhile, had been looking for an outsourcing proposition for its data warehousing and reporting capabilities. Eagle Investment Software had been snapped up by Mellon Bank; arch-rival Netik seemed an obvious choice.



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STP Magazine: Netik-BNY Investor-Partner-Customer Deal

NEWS ANALYSIS BANK OF NEW YORK'S NETIK ACQUISITION



Bank of New York buys 51 per cent of Netik

The bank believes the Netik technology completes its outsourcing offer

By Thea George

The Bank of New York has made a strategic investment in data hub and warehouse vendor Netik. The bank and Netik will partner to provide integrated data solutions to financial institutions, and the bank, which uses the Netik Interview Investment Hub product as part of its BNY SmartSource outsourcing solution, will also make the product available to its financial institution client base. In addition, Bank of New York plans to roll out the Netik technology to other selected areas of its own business.

The bank has taken a 51 per cent stake in Netik, leaving the remaining ownership in the hands of the Netik management and its venture capital backers Advent Venture Partners, whose stake has been significantly reduced as a result of Bank of New York's investment.

Explaining the background to the bank's decision to invest in Netik, its executive vice president Fred Ricciardi told STP: "We have a major business line focused on providing middle office outsourcing services to fund managers. As we continued to have discussions with fund managers and to be involved with particular outsourcing propositions, including some under way currently, it became apparent that the interconnectivity between the bank and the fund managers' systems was a point of significant execution effort." It is common for the bank to find that, because fund managers typically do not have a single application to handle a given activity, a data challenge exists for the manager to connect to the bank's middle office offerings.

"We realised a lot of fund managers could make use of a warehousing capability to facilitate a single point of interaction with the bank," Ricciardi continues. "We saw that such a capability would be a logical complement to our BNY SmartSource offering, in order to expedite the transition and therefore to take much of the risk out of the transition."

Bank of New York went to the marketplace in search of a suitable warehousing solution and found it, Ricciardi says, largely devoid of good warehousing tech-

nology companies. Netik was the exception. "We were very enthused by Netik's technology, and with what they had done with it – and by the demonstrable satisfaction level of Netik's clients," he explains. "Our first foray was to use the Netik solution ourselves around our BNY SmartSource proposition. We came to see that it could be deployed not just by the bank but by the fund manager; we realised we could be a strong referral source for a solution for the fund manager to deploy itself in order to ease its connectivity to the bank."

Further discussions with Netik led the bank to conclude that its technology is highly applicable for any company with securities information or transaction processing on multiple applications, Ricciardi adds. "Netik has an excellent warehousing solution, and it also has some very well designed portals for easy access in and out of the warehouse, via different media including the web, constituting a good front end for client reporting."

Consequently Bank of New York plans to work with Netik in three ways. "We will use the technology in concert with our outsourcing proposition, and indeed Netik is working on some projects with us currently. We also see Netik as another offering for us, on a standalone basis even where the bank's outsourcing is not involved, to help us broaden our product array for the investment lifecycle and improve our clients' STP. The third area of use will be within Bank of New York. There are some other areas of our own business that could benefit from Netik's client reporting and warehousing, and we are considering deploying the technology in very select areas within the bank."

Netik was at this time seeking a strategic investor, Ricciardi says. "The company's future with its venture capital backers was in doubt, and it would have been picked up either by another bank or a technology supplier. We took the decision to put money into Netik because we much preferred the idea of it being part of the bank than it being owned by another company: its business is so

closely aligned to what we do for a living."

The financial stability provided by Bank of New York's investment will be supportive to Netik's sales activities, he believes. "In the past, concerns about the company's financial stability were a roadblock to it selling to fund managers. With venture capital backers the transaction is strictly a financial one and the financials within Netik were the only thing that counted. Now Netik has a financially stable owner that understands its business."

The model Bank of New York has adopted for its relationship with Netik is one it has deployed before. "We own a technology business in London that delivers technology solutions to serve fund transfer agent services. We also have an investment in another technology company." However, Ricciardi stresses that the acquisition of technology companies for the sake of it is not part of the bank's strategy. "We are not out there searching for technology companies. But we will consider such investments in special, selected cases where the technology in question is a product that complements our offerings."

The bank will not limit Netik's activities in selling to other service providers or their clients, Ricciardi says. "We have a broad enough vision to market our products and differentiate ourselves on a broader ground than technology alone. Netik will continue to operate independently, in order that it can carry on doing what it does so well. We would like to see it as successful as possible in selling to other service providers."

Ricciardi says the Netik technology makes the BNY SmartSource offering complete. "We knew two years ago that the gap lay in the difficulty for the fund manager to efficiently establish a communicative link with the bank. Now that gap has been bridged, our outsourcing proposition really does take a transaction through its lifecycle from end to end, meaning we can fully support STP and allow our clients to make the outsourcing decision with complete confidence," he concludes. 

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STP Magazine

September 2004

Securities Industry News: Netik-BNY Investor-Partner-Customer Deal



BNY Buys Controlling Interest in Netik

By Chris Kentouris, Senior International Editor

July 2, 2004 - The Bank of New York (BNY) has bought a 51 percent stake in data warehouse vendor Netik giving the global custodian giant some operating control over the firm and the use of Netik's InterView 7 data hub as part of its outsourcing services for buy-side firms, officials of both firms said earlier today.

BNY's evp Fred Ricciardi; svp Andrew Bell and a yet-to-be announced technology executive will take seats on Netik's 7-member board. Netik's founder and chief executive John Wise; Colin Close, chief information officer, and Bill Rockett, chief financial officer, will continue in their roles and remain on the board. Bernard Horn will serve as an independent non-executive member.

Netik's InterView data hub, to be promoted by BNY on a licensed basis, relies on the enterprise information integration principle of data management -- interfaces are mapped onto a common data model only once. Another advantage of InterView over competitive platforms, say Netik officials, is that it provides real-time tracking and reporting, which is of particular interest to alternative investment trading desks, prime brokers and hedge funds. InterView represents an upgrade from a predecessor system known as Investor Workstation that Netik purchased through the acquisition of software provider Montclair Technologies four years ago.

"While InterView will be used initially by BNY's outsourcing unit SmartSource, the goal is to expand to other areas of the bank, such as hedge fund administration," said Wise.

InterView has about 40 users including Fortis; PFPC and HSBC while SmartSource has about ten relying on its investment management outsourcing services. It could not be determined how many of the ten were already using InterView.

"The agreement with Netik is a logical progression of our outsourcing services. Clients had typically relied on their own data hub to link to the bank's middle and back office services," said Ricciardi.

It remains to be seen just how much leverage BNY will exert over Netik. While BNY and Netik executives insist that Netik will be independently run, BNY will take an active role in co-marketing InterView beyond its own client base. "We wanted to be pretty influential in the decision-making process but not absorb them," Ricciardi said of Netik.

Market players say that the deal couldn't come at a better time for Netik, which needed to shed some of its entrepreneurial image in favor of a tie-in with a prominent financial institution to bolster its marketing efforts - and bottom line. The firm has gone through a metamorphosis of sorts over the past two years changing its focus from integration and straight-through-processing

projects for financial institutions to information-centric solutions for the asset management community.

The strategic switch took place when Wise returned to his role as chief executive in 2002 to replace Michael O'Leary after a eight month tenure as a condition to the firm's winning a new round of funding from Advent Venture Partners; Wise had stayed on as chairman during that time and upon his return promised to turn the money-losing operation around. He declined to discuss Netik's financials last week.

In December 2001, the firm secured its second round of funding \$15 million from Advent Venture Partners and Pincus Warburg. Netik officials would not comment on how much funding they have received to date or the pricetag for their deal with BNY which dilutes Advent Venture Partners stake in the firm. Netik's management and Advent Venture Partners will be left with a 49 percent interest.

A BNY spokesman said the investment in Netik was "non-material" to the bank's bottom line. Over sixty percent of BNY's revenues come from its securities services unit, which includes custody, fund accounting and administration and other outsourcing services.

BNY, which owns a 20 percent stake in Toronto's Financial Models, also promotes that software vendor's product suite as part of its SmartSource package, but that technology does not include data warehousing; it involves post-trade confirmation; portfolio accounting; reconciliation and reporting.

Dealing w Technology: Netik-BNY Investor-Partner-Customer Deal



Get Ready for a Wave of Merger Madness

Suddenly, we are in the middle of a merger mania. It's like last call at a singles bar for the financial technology industry.

As our stories this week illustrate, we have seen a rush to the corporate altar among vendors and user firms that must signal the official end to the recession. In particular, those vendors that survived by getting lean and mean are prime targets, especially in markets that are headed for consolidation because of commoditization. It's also a time to snatch up ailing competitors who can be had at bargain basement rates.

Speaking of rates, many vendors (and user firms) would prefer to sew up these deals before interest rates get any worse.

So, what does this phenomenon mean for user firms? First, let's focus on the downside.

My guess is that, initially, it will mean lots of confusion just as users are on the brink of spending again. Firms may quite legitimately hold off on purchases until clear winners emerge.

In addition, some user firms are themselves in the middle of a merger and will have the terrible chore of sorting out what parts of their new combined IT empires to keep, what to dispose of, what to buy and who among the IT staff to keep or give the heave-ho. Throw in the variable of offshoring and mergers can become a nightmare that IT managers at user firms dread. Sadly, there may be blood in the water at a time when there should be corks popping and champagne flowing.

Overall, shakeouts among vendors usually leave standing those who have the best technology and who are most able to sell it. This should be good news for user firms because it may provide them with the stability that they require.

There is another twist to this latest merger madness-a new kind of relationship has formed between vendor and user firm-particularly Citigroup and Lava Trading, the Bank of New York and Netik, and JPMorgan Securities and the vendors it has acquired. The result is that some business units at user firms are beginning to act as if they're software and services companies. This is a new chapter for user firms, and the strengths and weaknesses of this new role will become clear over the coming year.

For instance, how does JPMorgan really feel about Citigroup owning its mission-critical OMS?

Global Custodian: Netik-BNY Investor-Partner-Customer Deal



Global Custodian, July 6

NEWS
6 Jul, 2004

Bank Of New York Buys 51% Stake In Netik

The Bank of New York has bought a controlling interest in data warehousing software group Netik. The giant custodian will use the Netik data warehouse technology itself, and make it available to its clients.

The bank has taken a 51 per cent stake in Netik, leaving the remainder of the company in the hands of the Netik management and its venture capital backers Advent Venture Partners, whose stake has been significantly reduced as a result of the Bank of New York's investment.

The Netik board is now made up of three non-executive directors from the Bank of New York and three from Netik. Netik CEO John Wise says the data warehousing vendor will retain its independence and be free to continue to sell its technology to other custodians and fund administrators, as well as to fund managers and private banks.

Global Custodian: Netik-BNY Investor-Partner-Customer Deal (part 2)

Global Custodian July 7

Global Custodian
NEWS
7 Jul, 2004

The Bank Of New York Confirms Investment In Netik

The Bank of New York has officially confirmed its purchase of a majority stake in Netik, the data hub and warehouse software specialist. (See [Bank Of New York Buys 51% Stake In Netik](#))

The bank, which uses the Netik InterView Investment Hub product as part of its BNY SmartSource outsourcing solution, will now also make the product available to its financial institution client base. The Netik solution provides market-leading data management and consolidated reporting capabilities that leverage its data warehouse for portfolio and investment information, reference data and analytics. It also provides a clear data boundary between institutions' internal systems infrastructure and the services provided by the Bank.

"We have examined the competitive data warehouse and client reporting technologies on the market and believe that Netik has the most functional, scalable and proven technology," says Fred J. Ricciardi, Executive Vice President of The Bank of New York. "By aggregating and validating information from multiple data sources, the Netik platform provides end-to-end data management that delivers consistent and accurate information for client and boardroom-quality reporting."

John Wise, Netik's CEO, adds: "As the leader in data hub and warehousing technology for the securities industry, we believed the time was right to find an industry investor and partner who would boost our financial strength while continuing to allow Netik to operate independently. The Bank fits this profile perfectly because they are an existing customer. Our strategic partnership with The Bank of New York allows us to continue to support our existing customers with the highest levels of service and to continue to aggressively address our markets from a position of financial strength."

The Bank's clients, including investment managers, hedge funds, banks, broker / dealers, insurance companies and plan sponsors, can subscribe to the Netik platform on a stand-alone basis or bundled with other services such as fund accounting, custody or BNY SmartSource.



Global Investment Technology®

Volume 13, Number 21

July 19, 2004

Strategic Intelligence for the Securities & Investment Industry

Business Strategies

The Bank of New York Buys Majority Stake in Netik

"The Netik product with its data warehousing and client reporting is really a critical offering for financial institutions and investment managers."

Being majority owned by The Bank of New York gives Netik a conduit to gaining a better understanding of institutional investors and their emerging needs.

NEW YORK — The Bank of New York has purchased a 51 percent stake in Netik, a technology vendor specializing in financial data hub and warehousing solutions for data management and consolidated reporting. The amount of the investment was undisclosed. The deal, concluded on May 31, buys out the stake of Advent VenturePartners in Netik and reduces management ownership of Netik. Three Bank of New York executives will join Netik's seven-member board. They include Fred J. Ricciardi, Executive Vice President, and Andrew J. Bell, Senior Vice President. Netik will still operate as an independent company. "All the arrangements are arm's length arrangements between us and Netik," says Bell.

The Bank of New York has been using Netik InterView Investment Hub for its BNY SmartSource outsourcing solution. The bank intends to leverage Netik's client reporting technologies and data hub platform across all lines of business and enable Netik to develop integrated data solutions for financial institutions and asset managers. "The Netik product [InterView Investment Hub] with its data warehousing and client reporting is really a critical offering for financial institutions and investment managers," says Bell. "They're well-positioned, based on their product offering, to fill a niche in the marketplace that is really needed and that will continue to grow in its ability to satisfy a demand we see for investment managers and financial institutions in general."

Netik InterView can leverage a data warehouse to deliver portfolio and investment information for sophisticated analytics. Also, it can help clearly demarcate boundaries between internal systems and infrastructure of an institution and the outsourcing services provided by a third party. "Netik's product will be used in the BNY outsourcing strategy and made available to our clients to round out some of our product offerings," says Bell.

Being majority owned by The Bank of New York gives Netik a better understanding of institutional investors and their emerging needs, as well as a chance to leverage the bank's relationships and fine tune its offerings to serve large, financial institutions. "We wanted to get closer [to the asset management community] and get an institutional investment services provider on board for several reasons, including channel to market, improving Netik's financial strength and getting an understanding of how institutions see the market," says John Wise, Chief Executive Officer of Netik.

Finextra: Netik-BNY Investment-Partner Deal

Bank of New York takes 51% stake in Netik

05 July 2004 - Bank of New York has acquired a 51% stake in transaction processing software company Netik.

The bank has acquired the controlling interest in the firm under an agreement which will see it introduce the Netik software suite across its operations. Netik, which delivers data warehousing technology for participants in the investment management industry, has struggled to make headway in the more cost-conscious business environment of the past few years. In August last year the sale of Netik's TurboSwift interface business to US-based BankServ marked yet another shift in strategic focus for the company as it moved its resources to concentrate on sales and marketing of its InterView Investment Hub integration product. Details of the BoNy transaction are sketchy, but the Bank is understood to have placed three non-executive directors on the board, replacing representatives from Netik's venture capital backers Advent Venture Partners. Nobody was immediately available to comment on the implications of the deal for Netik's current customer base and future standing as an independent vendor to the securities industry.

Bobsguide.com: Netik-BNY Investor-Partner Deal

THE BANK OF NEW YORK AND NETIK FORM STRATEGIC PARTNERSHIP TO OFFER DATA HUB SOLUTIONS TO FINANCIAL INSTITUTIONS

NEW YORK AND LONDON, July 9, 2004 – The Bank of New York, a global leader in securities servicing, has made a strategic investment in the data hub and warehouse business of Netik to support the business' continued growth in the data management and reporting marketplace. As part of the arrangement, The Bank of New York and Netik will also partner to provide integrated data solutions to financial institutions.

The Bank of New York, which uses the Netik InterView Investment Hub product as part of its BNY SmartSource outsourcing solution, will now also make the product available to its financial institution client base. The Netik solution provides market-leading data management and consolidated reporting capabilities that leverage its data warehouse for portfolio and investment information, reference data and analytics. It also provides a clear data boundary between institutions' internal systems infrastructure and the services provided by the Bank.

“We have examined the competitive data warehouse and client reporting

technologies on the market and believe that Netik has the most functional, scalable and proven technology,” said Fred J. Ricciardi, executive vice president of The Bank of New York. “By aggregating and validating information from multiple data sources, the Netik platform provides end-to-end data management that delivers consistent and accurate information for client and boardroom-quality reporting.”

John Wise, Netik’s CEO, said, “As the leader in data hub and warehousing technology for the securities industry, we believed the time was right to find an industry investor and partner who would boost our financial strength while continuing to allow Netik to operate independently. The Bank fits this profile perfectly because they are an existing customer. Our strategic partnership with The Bank of New York allows us to continue to support our existing customers with the highest levels of service and to continue to aggressively address our markets from a position of financial strength.”

The Bank’s clients, including investment managers, hedge funds, banks, broker/dealers, insurance companies and plan sponsors, can subscribe to the Netik platform on a stand-alone basis or bundled with other services such as fund accounting, custody or BNY SmartSource.

Securities Industry News

April 12, 2004

What Makes Markets

www.securitiesindustry.com

Making the Most Out of Warehousing

Firms enjoy new options, business opportunities in aggregating data

Everyone agrees that in the age of knowledge, data is king—and queen. But inconsistent data stored in disparate silos has quickly become a wild card in managing operational and credit risks. Correcting the problem—reconciling discrepancies and integrating the correct data into legacy systems—is costly, time-consuming and inefficient at best.

Enter data warehousing—the aggregation of clean data into a single centralized repository. It sounds simple enough, but it has some powerful ramifications. Financial institutions can enjoy an enterprise-wide view of their data, allowing them to better measure their operational and credit risks across product lines and departments. Accurate data also ensures fewer failed transactions, hence reduced cleanup costs and lowered potential liability, which could save firms many millions of dollars.

And those are just the short-term benefits. Longer-term, firms can reap competitive advantages in going beyond knowing what happened to predicting what *will* happen.

Historically, firms have—at best—relied on developing a data warehouse on their own, but over

the past few years a trend has emerged to license an array of software packages. Most recently, buy-side shops have also found another option through their outsourcing providers. Some of the world's largest custodian banks—including State Street and Mellon Financial—are remarketing data warehouses as part of a suite of middle-office services.

None of the data warehousing software vendors would disclose their prices, nor would State Street or Mellon discuss their fee schedules. Yet anecdotal evidence suggests the fees for this model pale in comparison to the time and price tag a large Wall Street wirehouse could spend: upward of five years and more than \$50 million to develop a home-grown data warehouse, by one industry player's estimate.

"An effective data warehouse provides a perfect front-office integration solution."

— Steve Papulak,
Mellon Financial

Seeking Savings

After investing in a customer relationship management (CRM) system from Siebel a few years ago, Guardian Group of Funds, a subsidiary of Bank of Montreal, began to examine ways to tie information together to avoid data redundancies, said Julie Hodge, assistant VP of information services at GGOF,

a \$2.8 billion operation.

The firm decided that the answer was a data warehouse, as well as an enterprise-wide reporting module that could connect with both legacy applications and the new warehouse. In addition, the data ware-

house needed to have an extract, transform and load component in order to move data from one system to another and publish data on online portals.

Ultimately, GGOF decided to implement WebFocus, a hub-and-spoke data warehouse model from Information Builders. Information Builders migrated information from GGOF's three legacy systems—CRM data from a Microsoft SQL Server, fund accounting data from Sybase and record-keeping data from DB2—to create a new, central warehouse residing on a Microsoft Windows NT server.

The data can be accessed using a Web portal: users can log onto the system and monitor the data via a key-performance-indicators dashboard. It allows users, within any line of business, a one-stop shop portal to access the data for their reporting requirements or information needs.

Also within the framework of a centralized portal, State Street recently expanded an agreement with DST International (DSTi) to use its data warehouse, called HiDataWarehouse, as part of its securities processing offerings for fund managers.

"The arrangement allows State Street not only to tap into its own databases for information—including its multicurrency Horizon custody platform and PAM portfolio accounting system—but any other the client wishes as well," said Joseph Antonellis, State Street's CIO.

DSTi's HiDataWarehouse stores what State Street calls "hard-wired information"—descriptive data on securities, client holdings, transactions, and performance and analytics that cannot be changed by the client. Then there is a customizable section, allowing clients to slice and dice information as they wish.

The deal with DSTi, whose origins lie in portfolio accounting, stemmed from State Street's outsourcing of the back office of U.K. fund manager Scottish Widows, which had already been licensing the HiDataWarehouse.

So far, only one of State Street's outsourcing clients—fund manager Seligman—plans to convert onto the HiDataWarehouse. Scottish Widows will continue its existing contract with DSTi, while another fund manager, Pimco, is relying on a separate data warehouse built by State Street that can also use the DSTi data management software for the monitoring of its own portfolios.

Addition by Addition

DSTi, which had previously offered some data warehousing capabilities through its HiInvest order management and compliance products, added value to its stand-alone data warehousing solution through its

purchase of the rights to integration messaging software from Boston's Bremer Associates last year. That integration messaging software was subsequently rebranded as HiWay.

"The idea is to provide a consistent view of data," said Steve Edkins, DSTi's COO. "While there are no hard-dollar cost savings, plenty is gained from operational efficiencies by having clean information and fewer failed transactions."

Such a view is also held by State Street rival Mellon Financial, which is reaping the benefits of its data warehouse, Pace, inherited through the acquisition of Eagle Investment Systems two years ago. A seven-year-old product, Pace is widely considered the industry

leader in data warehousing for buy-side institutions—a reflection of the firm's historic strengths and extensive functionality.

Not only does Pace allow for information to be cleaned and centralized in a single location, but an adjunct product known as Eagle Portal permits clients real-time access to information—thereby enabling real-time decisions—and also allows them to send the information to other locations.

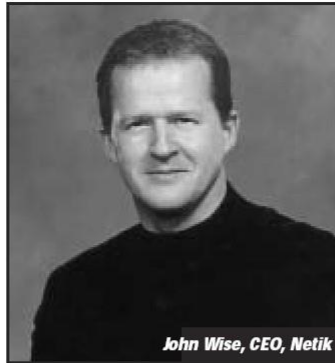
"Pace is the first data warehousing product to be designed with a data-centric model, thereby allowing investment managers to support their processing through a single rather than multiple databases," said Steve Papulak, product manager in Mellon Financial's Global Securities Services unit.

The custodian giant—whose technology prowess has historically matched State Street's—offers Pace not only as part of its outsourcing package, but also in an ASP fashion for six undisclosed buy-side firms. An additional six, including Trust Co. of the West and London's F&C, will be using Pace on an outsourced basis.

"Most of the outsourcing mandates awarded to date have focused on middle-and back-office functions. This has made providing tight integration with a client's front office a real challenge," said Papulak. "An effective data warehouse provides a perfect front-office integration solution."

For the State of Wisconsin's \$70 billion pension fund (SWIB), one of an additional 80 fund managers licensing Eagle's Pace, one of the merits of the data warehouse is that it allows for calculating a correct monthly value for assets under management. "We were relying on spreadsheets from multiple fund managers and had to reconcile information," said Ken Johnson, COO of SWIB, which is one of the U.S.' 10 largest public pension funds.

Eagle's Pace also permitted SWIB a complete, real-time view of its assets, regardless of where they are



John Wise, CEO, Netik

safekept—either at Investors Bank & Trust or Mellon Financial. “Although we are not a mutual fund, which is required to strike an NAV, we could still have a daily view of the fund’s performance to see if it matches up with the custodian banks’ calculations,” said Johnson.

SWIB is now running the Pace system in a test mode and begin loading information onto the central database over the summer. The entire process, which will affect \$65 billion of the \$70 billion in funds, will be completed over a 12 month period.

Evolution of an Idea

Both DST and Eagle’s data warehouses primarily offer what is called an enterprise application integration (EAI) solution to data warehousing—linking applications to speak to each other. A newer concept being promoted by software vendor Netik, which offers an investment hub for data management and reporting, is now making its way into discussions on data management.

Known as enterprise information integration (EII), the goal is to make the same data available across diverse operating environments and applications.

“The enterprise application integration industry—which reached its hilt in the early 1990s—is reflective of either ‘hub and spoke’ or ‘bus’ solutions designed to resolve the so-called ‘spaghetti’ nature of peer-to-peer interfaces, where every application is defined to each other, resulting in many interfaces and definitions,” said John Wise, CEO and co-founder at Netik, Eagle’s primary competitor, which boasts about 40 clients.

The problem with the hub-and-spoke or bus solutions for data warehousing is the lack of common data models: 10 applications could mean 45 different mappings and delays in the implementation of any data warehousing system. “So the purpose of enterprise information integration is the same as EAI, but the approach is to use a data warehouse or data store that has a common data model,” said Wise.

The advantage to Netik’s InterView7, he claims, is that all interfaces are mapped onto a common data model and are mapped only once. Hence, 10 applications require only 10 interfaces.

Some industry analysts have argued that while Eagle’s Pace does offer a ready made data model, data integration is still cumbersome and time consuming—a problem the firm is now trying to correct through middleware. State Street officials also maintain that HiWay does give DSTi EII capabilities in providing a meta data-driven environment that allows users to graphically model data inflows, transformation and outflows to any application either as real time messages or file form. But such claims have been questioned by some rivals and even clients.

Another major advantage to the EII model, such as Netik InterView 7, as an enterprise-wide source of information, is that it provides real-time tracking and reporting, which is of particular interest to alternative investment trading desks, prime brokers and hedge funds. However, such was not always the case with Netik.

Netik’s InterView 7 represents an upgrade from a predecessor system known as Investor Workstation that Netik purchased through the acquisition of software provider Montclair Technologies four years ago.

“When we first began using an older version of Netik InterView 7, the data was being updated from legacy systems in a batch mode,” said Gary Metz, VP at Wilmington, Del.-based administration giant PFPC, which services more than \$400 billion in assets for 100 fund families.

That changed two years ago, at the same time PFPC also allowed clients access to its data warehouse through a Web portal. While some of PFPC’s clients opt to slice and dice information on PFPC’s database to create their own, others only want to view the data. Still others may wish to incorporate the information into their own database.

An additional benefit to the Netik InterView data warehouse, as adapted by PFPC, is that it delivers information on corporate actions and receives decisions from clients.

Netik is now in discussions with two prospects to offer Netik InterView 7 in an outsourced form. Such an alternative, Wise believes, is appealing to hedge funds, which are seeing an inflow of capital from pension funds, and other buy-side firms with more complicated information needs. ■

— CHRIS KENTOURIS

Netik

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TALKING POINT ENTERPRISE INFORMATION INTEGRATION

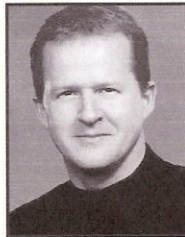


The next generation

Enterprise information integration will do what EAI failed to do, and make sense to the business, not just the IT

This is a story about why technologists originally purchased enterprise application integration (EAI) but the business guys didn't see the point, and why now the business guys are driving the implementation of enterprise information integration (EII) solutions from data hub vendors.

EAI was created to solve the problem of spaghetti interfaces, virtual and actual, caused by the need to share information using peer to peer interfaces between the many systems/applications that the business needed to process its activity. Some would claim that this enabled a best of breed strategy for deploying multiple specialist processing systems. However, I feel there was not much strategic thinking involved, and that the implementations were more to do with the tactical and often haphazard need to progressively fill gaps in processing functionality along the financial transaction lifecycle.



By John Wise

The "bus" approach to EAI provided an interface on to a common "highway" across platforms and was widely adopted in the front office as many of these applications were very similar and so the requirement for translation was limited. The "hub and spoke" approach assumed that all platforms were different and thereby translation and mapping had to be very strong in these products which were typically deployed in the front, middle and back offices.

Unfortunately, EAI solutions still seemed to take a lot of time and expense but their benefit was obscure. The real issue with the EAI approach is that you may indeed only have 10 interfaces on the hub or bus, but the mathematics still require these products to handle the many different mappings/translations handling peer to peer connectivity – albeit internally within the product and no longer "exposed" to outside scrutiny. Thus the interface definition problem remains the same in reality and this is why the business could not see the point.

Having been involved in three generations of EAI products I have at last woken up to smell the coffee – and it is not Java, .Net, Grid or Pazz. All of these technologies promote interoperability and are good for different things such as routing, TP monitors, scalability and recoverability, and thus provide foundations. But these, along with the EAI vendor products, all suffer from the lack of defined data models for the financial industry and

associated applications that leverage such a data model.

The importance of a sector specific, specialist data model to these solutions has been slowly realised by the EAI vendors and thought-leaders of this industry, such that there has been an evolution of the EAI paradigm over the last few years towards the creation of EII, or enterprise information integration. Thus, EII has emerged to solve the same problems and requirements as EAI, but with a powerful "information-centric" approach using a specialist data model for the financial industry in a data warehouse or data store configured as a "hub". The advantage here is that all interfaces are mapped on to the common financial data model once (and only once), hence with 10 applications only 10 interfaces are required. Finally a solution has arrived for enterprise information, albeit using the EII model and not EAI.

The EII vendors typically promote these solutions as data hub or investment hub implementations. These products and solutions not only provide a complete and common financial data model and data store, but they also have associated applications for robust data management and reporting – something that internal users and their (external) customers benefit from.

As EII is information centric, these solutions have to address integration of transactions and static information, validation, enrichment, cross-

EII vendors sell their solutions as data or investment hubs

referencing and look-ups, along with multi-way matching and reconciliation, data/information and workflow, culminating in multi-dimensional reporting via multiple channels. To achieve all of this, there are therefore many associated applications – all of which plug into the hub and leverage the enterprise information contained therein. EII is not designed to replace processing systems. However these solutions are engineered to solve the perennial problem of how to handle financial data from increasing numbers of sources, rationalise, transform and reconcile it and accurately route, store and warehouse it so that it can be leveraged as information throughout the enterprise and via multiple channels, including the web.

John Wise is CEO at Netik

Global Custodian: New Director of Ops for EMEA

NEWS

23 Feb, 2004

Netik Hires New Director Of Ops For EMEA Region

Netik, a securities data management and reporting company, has announced the hire of Roy Lee as its new Director of Operations for the EMEA region. Lee will report to Keith Hale, Managing Director in London.

In this new role, Lee is responsible for all product and project operations within the EMEA region. His experience has been gained within banks, securities houses and software vendors, where he has held senior management and consultancy positions, including IT director and CTO. Lee has a successful track record of delivering multi-million pound, customer-focused projects and change programmes.

Prior to joining Netik, Lee, a 30 year veteran in the industry, served as head of IT and Administration for Standard Bank London Limited supporting business areas including: Treasury, Capital Markets, Risk Management, Securities Trading, Asset Trading and Private Banking.

Also during his time at Standard Bank, he created and implemented what was then an innovative hub and spoke strategy around the integration of best-of-breed software packages. As a result, he was one of the original pioneers in the adoption and use of transaction middleware.

Before his role at Standard Bank, Lee was a Senior Director, Information Technology, for Continental Bank NA where he handled a broad range of International Banking activities including Treasury, Securities Trading, Asset Trading and Risk Management.

"Roy Lee's, depth of knowledge in financial services, proven experience in multiple project implementations, his technical expertise in enterprise-level software development and wealth of industry contacts are all great assets for Netik's Senior Management team," said Keith Hale, Managing Director. "We are very pleased to add Roy to the team. With over 30 years of financial services technology experience, Roy will spur our continued growth tremendously."

Lee commented, "I am thrilled to be joining Netik at a very exciting time for the company and I look forward to being part of their future."

Windows in Financial Services: New Director , Ops for EMEA

Netik hires new Director of Operations, Roy Lee, former Standard Bank Head of Information Technology & Administration

In this new role, Mr. Lee is responsible for all product and project operations within the EMEA region. His experience has been gained within banks, securities houses and software vendors, where he has held senior management and consultancy positions, including IT director and CTO. Lee has a successful track record of delivering multi-million pound, customer-focused projects and change programmes.

Prior to joining Netik, Roy Lee, a 30 year veteran in the industry, served as head of IT and Administration for Standard Bank London Limited supporting business areas including: Treasury, Capital Markets, Risk Management, Securities Trading, Asset Trading and Private Banking.

Also, during his time at Standard Bank, he created and implemented what was then an innovative hub and spoke strategy around the integration of best-of-breed software packages. As a result, he was one of the original pioneers in the adoption and use of transaction middleware.

Before his role at Standard Bank, Mr. Lee was a Senior Director, Information Technology, for Continental Bank NA where he handled a broad range of International Banking activities including Treasury, Securities Trading, Asset Trading and Risk Management.

"Roy Lee's, depth of knowledge in financial services, proven experience in multiple project implementations, his technical expertise in enterprise-level software development and wealth of industry contacts are all great assets for Netik's Senior Management team," said Keith Hale, Managing Director. Mr. Hale continued, "We are very pleased to add Roy to the team. With over 30 years of financial services technology experience, Roy will spur our continued growth tremendously."

Said Mr. Lee, "I am thrilled to be joining Netik at a very exciting time for the company and I look forward to being part of their future."

Bobsguide.com: New Director of Ops, EMEA

NETIK HIRES NEW DIRECTOR OF OPERATIONS, ROY LEE, FORMER STANDARD BANK HEAD OF INFORMATION TECHNOLOGY & ADMINISTRATION

London and New York, February 23, 2004—Netik, the market leaders in securities data management and reporting, today announced the hire of Roy Lee as its new Director of Operations for the EMEA region and will report to Mr. Keith Hale, Managing Director in London.

In this new role, Mr. Lee is responsible for all product and project operations within the EMEA region. His experience has been gained within banks, securities houses and software vendors, where he has held senior management and consultancy positions, including IT director and CTO. Lee has a successful track record of delivering multi-million pound, customer-focused projects and change programmes.

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"Roy Lee's, depth of knowledge in financial services, proven experience in multiple project implementations, his technical expertise in enterprise-level software development and wealth of industry contacts are all great assets for Netik's Senior Management team," said Keith Hale, Managing Director. Mr. Hale continued, "We are very pleased to add Roy to the team. With over 30 years of financial services technology experience, Roy will spur our continued growth.

Finextra: New Director of Ops, EMEA

Netik names Roy Lee director of operations, EMEA

23 February 2004 - Netik, a UK-based provider of securities data management and reporting systems, has appointed Roy Lee as director of operations for the EMEA region.

Lee joins Netik from Standard Bank London Limited where he was head of IT and administration, supporting business areas including treasury, capital markets, risk management, securities trading, asset trading and private banking.

At Standard Bank, he was an early adopter of transaction middleware, implementing a hub and spoke strategy around the integration of best-of-breed software packages.

Prior to this, Lee was a senior director for IT at Continental Bank NA where he handled a range of activities including treasury, securities trading, asset trading and risk management.

In his new role, Lee will report to Keith Hale, Netik's managing director in London.

Trading Technology: New Director of Ops, EMEA

NETIK HIRES FROM STANDARD BANK

Data management and reporting software vendor Netik has appointed former Standard Bank IT head **Roy Lee** as director of operations. Reporting to managing director **Keith Hale** in London, Lee will be responsible for all product and project operations in the EMEA region. During his tenure at Standard Bank, Lee was head of IT and administration and based in London. Prior to Standard, he was senior director of IT at Continental Bank.

STPForum: New Director of Ops, EMEA



Weekly Digest



Netik hires Roy Lee, new director of operations

26th February 2004 - Netik, a provider of securities data management and reporting, has hired Roy Lee as its new director of operations for the EMEA region. He will report to Keith Hale, managing director, in London.

Lee is responsible for all product and project operations within the EMEA region. His experience has been gained within banks, securities houses and software vendors, where he has held senior management and consultancy positions, including IT director and CTO. Lee has a track record of delivering multi-million pound, customer-focused projects and change programmes.

Prior to joining Netik, Roy Lee served as head of IT and administration for Standard Bank London supporting business areas including: treasury, capital markets, risk management, securities trading, asset trading and private banking.

The WealthNet: New Director of Ops, EMEA



Netik hire Standard Bank veteran to oversee EMEA region

24/02/2004 by: Ian Orton

New York-based Netik, a securities data management and reporting software provider, has appointed Roy Lee as its London-based Director of Operations for the Europe, Middle East and Africa (EMEA) region. He joins from the London branch of Standard Bank where he was head of IT and Administration. He reports to Mr. Keith Hale, Netic's London-based managing director.

At Standard Bank, Mr Lee created and implemented what was then an innovative hub and spoke strategy around the integration of best-of-breed software packages. As a result, he was one of the original pioneers in the adoption and use of transaction middleware. He has also held senior management and consultancy positions at other firms.

"Roy Lee's, depth of knowledge in financial services, proven experience in multiple project implementations, technical expertise in enterprise-level software development and wealth of industry contacts are all great assets for Netik's Senior Management team," said Mr Hale. "With over 30 years of financial services technology experience, Roy will spur our continued growth tremendously."

Bobsguide.com: Netik Interview Portal Upgrade

NETIK INTERVIEW 7 SHIPS WITH UPGRADE TO NETIK DATA PORTAL (INTERCHANGE)

New York and London, January 12, 2004—Netik, the securities data management and reporting specialist, today announced the significant upgrade of Netik's Data Portal (InterChange) as part of Netik InterView release 7 – the Investment Hub.

Netik's previous version of the Data Portal was based on relatively low level system (i.e., technical) workflow, whereas this new release enables:

- Business and process workflows that are graphically defined in the Data Portal
- Definition of complete end-to-end autonomic processes
- Plug-in compatibility with third party components such as function specific parsers and translators
- Compatibility with third party business plug-ins for validation and enrichment
- Processing of traditional and alternative investments through Netik Data Warehouse and Netik Common Investment Adapter (CIA)

The upgrade to the Data Portal in Netik InterView release 7, was driven by the need to define complete autonomic processes for mass automation and reporting recognizing real end-to-end transactional workflow. Plus the new Data Portal can process thousands of complex workflows concurrently.

The design-time graphical user interface (Data Portal Studio) enables many more linked workflows to be defined to reflect accurately the complexity of business processes. The new Data Portal Studio comprises a suite of plug-in design tools, which are driven by XML data schemas. It has been engineered to allow analysts from the business community to help define complete autonomic processes that enhance operational efficiency throughout the enterprise leveraging the technology's ability to include many third party components as plug-in and event based tasks.

Alastair Upton, Technical Director at Netik, says "Processes and tasks can now be graphically defined into workflows enabling analysts to deal with huge complexity within a user friendly environment. This allows rapid deployment of manageable, tailored solutions. Not only is the design process and run-time performance improved, but the Netik Data Portal also delivers significant benefits for support problem resolution, testing and version control."

In addition, the new Data Portal is shipped with Netik's Common Investment Adapter (CIA) that has been developed with Advent Software Inc, California. The CIA provides the data model for all assets associated with both traditional and alternative investment strategies.

Netik Data Portal is one of the core enabling components of the company's flagship product, Netik InterView Investment Hub, and provides all the Data Management, Data Workflow and Data Integration capabilities necessary for the Hub to operate at the heart of the investment process. Netik InterView uniquely deploys a Data Portal and Information Portal to safely assemble data from multiple sources, store comprehensive portfolio and investment data in a Data Warehouse, and transform this into information for distribution throughout the enterprise and externally for client reporting.

Netik's Data Portal leverages standard components from previous releases, plus important new architectural components, to deliver even more benefits for deploying Netik InterView. These include noticeable enhancements to workflow design and management tools plus operational monitoring and control - all of which are focused on further simplifying the implementation process and improving the effectiveness of Netik's renowned rapid deployments. Importantly, the Data Portal upgrade also provides quantum improvements to system performance and scalability.

Colin Close, CIO, says "The improved Data Portal provides greater flexibility, with the end result being that the Netik InterView Investment Hub can now be implemented far more rapidly to give a solution that totally fits the customer's requirements. Netik's Data Portal approach to securities data management and workflow means that the Netik InterView Investment Hub can be easily integrated into clients' existing systems infrastructures. The new Data Portal significantly enhances the current ability of Netik InterView Investment Hub to provide the 'glue' between internal systems and external data sources which is so vital for successful investment operations processing."

Workflow is at the heart of Netik InterView, and Netik Data Portal now has a superior workflow engine with improved flexibility. The new workflow engine comprises process design tools and an enhanced workflow event manager that combine to deliver a workflow management component that offers ease-of-use, improved scalability and robustness, as well as higher levels of performance.

Colin Close, CIO, continues "Functionally the workflow engine is much richer. It offers enhanced features including branching and flexible routing that give a more granular level of management and control at all stages of the information flow through the Investment Hub. Information is validated and enriched within the Netik InterView Investment Hub and exceptions are identified and highlighted to the appropriate business personnel far earlier in the transaction lifecycle."

"With Netik InterView's suite of discrete components that can be deployed in many different combinations, we are able to offer clients tailor made solutions appropriate for the task in hand. This is true modularity and provides maximum flexibility. It is the reason why Netik is able to provide revolutionary solutions via deployments and implementations that are actually evolutionary and therefore, perhaps more palatable to the enterprise."

Existing users of Netik InterChange will be able to take advantage of these new features and functions by upgrading existing solutions using the Netik InterChange Data Portal upgrade service.

Waters Magazine: Netik InterView Portal Upgrade

Securities data management and reporting provider Netik has rolled out version 7.0 of Netik InterView Investment Hub. As part of the new release, the company has made significant upgrades to its Data Portal component, InterChange, which provides all the data management, data workflow and data integration capabilities necessary for the Hub. Some of the major improvements in the latest release of the hub include: graphically defining business and process workflows; defining complete end-to-end autonomic processes; plug-in compatibility with third-party parsers, translators and validators; and processing thousands of complex workflows concurrently.

Global Custodian: Netik InterView Portal Upgrade

Netik Releases New Version Of Application

NEWS
13 Jan, 2004

Netik, the securities data management and reporting software firm, says it has released an upgraded version of its Data Portal product.

The company says the upgrade to the Data Portal - now in Netik InterView release 7 - was driven by the need to define complete autonomic processes for mass automation and reporting recognizing end-to-end transactional workflow. It claims the new Data Portal can process thousands of complex workflows concurrently.

"The design-time graphical user interface (Data Portal Studio) enables many more linked workflows to be defined to reflect accurately the complexity of business processes," says Netik. "The new Data Portal Studio comprises a suite of plug-in design tools, which are driven by XML data schemas. It has been engineered to allow analysts from the business community to help define complete autonomic processes that enhance operational efficiency throughout the enterprise leveraging the technology's ability to include many third party components as plug-in and event based tasks."

Alastair Upton, Technical Director at Netik, says that "processes and tasks can now be graphically defined into workflows enabling analysts to deal with huge complexity within a user friendly

environment. This allows rapid deployment of manageable, tailored solutions. Not only is the design process and run-time performance improved, but the Netik Data Portal also delivers significant benefits for support problem resolution, testing and version control."

In addition, the new Data Portal is shipped with Netik's Common Investment Adapter (CIA) that has been developed with Advent Software. The CIA provides the data model for all assets associated with both traditional and alternative investment strategies.

Netik Data Portal is one of the components of the company's flagship product, Netik InterView Investment Hub.

"The improved Data Portal provides greater flexibility, with the end result being that the Netik InterView Investment Hub can now be implemented far more rapidly to give a solution that totally fits the customer's requirements," says Colin Close, CIO at Netik. "Netik's Data Portal approach to securities data management and workflow means that the Netik InterView Investment Hub can be easily integrated into clients' existing systems infrastructures. The new Data Portal significantly enhances the current ability of Netik InterView Investment Hub to provide the 'glue' between internal systems and external data sources which is so vital for successful investment operations processing. Functionally, the workflow engine is much richer. It offers enhanced features including branching and flexible routing that give a more granular level of management and control at all stages of the information flow through the Investment Hub. Information is validated and enriched within the Netik InterView Investment Hub and exceptions are identified and highlighted to the appropriate business personnel far earlier in the transaction lifecycle. With Netik InterView's suite of discrete components that can be deployed in many different combinations, we are able to offer clients tailor made solutions appropriate for the task in hand. This is true modularity and provides maximum flexibility. It is the reason why Netik is able to provide revolutionary solutions via deployments and implementations that are actually evolutionary and therefore, perhaps more palatable to the enterprise."

Windows in Financial Services: Netik Portal Upgrade

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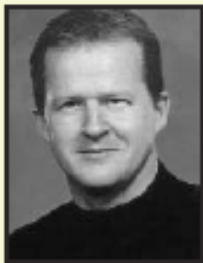
STP Magazine: John Wise Thought Leadership Article

TALKING POINT THE FUTURE OF STP



Postcards from the leading edge

If STP has lost some of its lustre, perhaps it's because the vendors to financial services have failed to bestow upon the industry the benefits of modern technology, as vendors in other key verticals have done



By John Wise

The question we have been asked as to whether we are seeing the end of STP – not just as an acronym, but also as a business concept. Some believe that all the STP products, with their respective propositions, are old (often true), but nevertheless have solved the STP problem. If STP is defined as the need to automate processes to reduce fail rates, operational costs and operational risk and improve customer service, then these requirements have most certainly not yet been met, and the problem remains unsolved.

The concept of STP has been with us for a fair old while, and is likely to be with us for a good while longer. When we talk STP today, we are not necessarily talking about the same thing as we were, say, five years ago, since which time we have seen STP emerge from the back office and move across wider business boundaries. The apparent evolution of the meaning of STP is interesting, as long as we still understand the problem we are all trying to solve.

While the language may change, the software from vendors in this sector typically does not, and maybe this is why STP has become stale. The vendors have not come up with ideas that are sufficiently radical to evolve into the true end to end solutions that are really needed to keep the STP concept alive and attainable.

In sharp contrast, other industries have been revolutionised by their vendors. Pixar is probably the best example of this in the field of dramatic animation. In the world of internet services, Google has done an amazing job of significantly improving search engines through the application of creative thinking and "modern technology". Technology can be deployed to do much more complex things than have as yet been attempted in the financial industry, which is not at the leading edge yet.

The scope of the STP problem has increased, but have the solutions kept up with the pace, or addressed the changes in scope that have emerged? When people say STP has been solved, what they mean is silo projects have been done. Some pieces of the jigsaw have been put together, but the complete picture is far from finished. A silo based approach is useful in a small way, but

the customers I interact with are looking for higher total gains, and need to hear about achieving competitive edge through new solutions.

One evolutionary approach to creating a complete STP picture is an information centric approach, which looks at the problem as a complete entity, rather than as a collection of silo solutions – the latter having been done to death. Ethnists were passionately discussed in the 1980s, yet today they are not discussed at all despite forming the backbone of our work environment and increasingly our homes.

The benefits of an information centric solution are enormous for operations and a company's customers. This is still STP, with the same STP problems being addressed, but through an information warehouse approach. Sometimes data warehouses are seen as archives of information, which indeed they can be, but in addition, with today's technological improvements in performance and scalability, they can also be active data stores where information is entered once and only once, routed, cleansed, corrected, reported from, and then securely seen everywhere. However, it is the application of modern computing that has enabled this, including state engines for EAI, true rules driven engines for matching, cleansing and reconciliation, XML et al (e-learning from and inheriting technologies that have successfully been applied in other industries).

Having been actively involved in four start-up financial software companies, applying relational database technology in the 1980s, client/server technology in the early 1990s, EAI in the mid 1990s and state machines and XML in the late 1990s, one thing I do know about is the difficulties of selling to a conservative customer base, and the challenges the first customers bring with their initial teething problems. However, the industry needs to sensibly evolve through the adoption of modern technologies to move forward and replace the legacy solutions.

To the conservative customers, this may all look like a revolution, but in this competitive market customers will have no choice and can only afford to be cost leaders, brand leaders or niche players. This will be evolution to the smart thinking community.

John Wise is CEO of Netik

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Global Investment Technology: Buy-Side Data Management

ENTERPRISE DATA MANAGEMENT

Buy-side firms must understand the most important drivers of their business and decide how technology plays into that vision.

"The data management philosophy should be a function of what the broad business goals and the strategic vision are."

Buy-Side Firms Scutinize Data Management Models

NEW YORK — Whether the goal is reducing costs in a fast-paced trading environment or more efficiently addressing the growing number of requests for reports needed to satisfy regulatory requirements, data management increasingly is a focus for buy-side firms. Their biggest questions are who should manage data, whether to outsource the task and whether to change overall system architectures.

The right data management model varies widely from firm to firm. Some focus on reference data challenges and eliminating inconsistencies and duplications in the enormous amount of data used by every business department or division. Others seek a wider solution to improve workflow processes for managing data and transactions from start to finish. There are a variety of technology solutions and opportunity for insourcing and outsourcing at each type of firm.

There is no right answer, says Jin-Chul (Gene) Kim, Senior Analyst, Capital Markets, at Financial Insights, a Framingham, Mass.-based financial consulting firm. Kim says an approach that takes into account business processes and overall strategy as well as available technology likely will lead to a better overall solution for the firm whether the company depends on an enterprise system, in which everything is centrally managed, or whether it decides to outsource some of its functions.

"Moving from the current fractured state of data management toward the goal of integrated data which aligns with business strategies requires three steps," says Kim. The firm must determine its critical business needs across the entire enterprise and prioritize. It must understand which are the most important drivers of its business and decide how technology plays into that vision. Finally, the firm must define a data management vision.

Debate continues over whether the architecture should be built on components or enterprise applications, whether some or all functions should be delivered in-house or outsourced and whether the data should be kept centrally or in a distributed fashion. The debate consists of two components, says Kim. "One is business policy and one is technology," he points out. "One should follow the other. The business strategy should inform the technology strategy." Often, however, the technology solution is chosen and the firm's employees have to figure out to apply it.

"The data management philosophy should be a function of what the broad business goals are and the strategic vision," says Kim. "That still leaves the question of who controls what data. Generally, people define what they need and build it. Often, it is an in-house solution, focused on a particular group's need. When different people separately maintain what is ultimately the same piece of data, it's a potential problem." The solution, according to Kim, is not total outsourcing of data management. "There are some things that are just too critical and too proprietary," he says.

A few large, high-profile firms whose business units encompass a wide range of activities, have struggled with data management approaches and are trying to bring all loose strands together into a central vision or concept for decision



The buy side is now asking how to create the records needed for high-value applications and how to ensure data is readily available and maintained.

"The types of data that the corporate hierarchies and legal entities need isn't really available from a single source."

making on data, according to Kim. "For firms of that size and diversity, the data challenges are incredible," he says. Many are starting to understand that business as usual doesn't work. "The prime reason for that is regulatory compliance," says Kim.

Firms find they need the same data to meet Sarbanes-Oxley Act rules, anti-money laundering rules, and Patriot Act rules. The data is not centrally located or easily accessible. The firms have always known they had this problem, but never had to deal with it as they now do to meet the regulatory requirements, and the firms have to reinvent the wheel each time they have to respond. Because solutions depend on the particular situation of each firm, there is no one solution for the data-management challenges. A firm that has chosen a centralized data warehouse approach needs a different strategy than a firm with decentralized data in many locations.

The data management answer for those that have a data warehouse system involves middleware. Data management layers are where a lot of attention is going to be focused this year. Middleware needs to go on both sides of the equation, says Kim. Many front-end applications have gotten very good at data management layers for better integration. The backside is another data management layer that is now being addressed and will see a lot of attention in the next few years, he adds.

Hubert Holmes, Executive Vice President of Cicada Corp., maker of the Composer data management solution, says reference data has gained interest from both the buy and sell sides. This is driven by risk management needs and the need to roll up credit exposure or credit risk, driven by the accounting scandals and accounting scandals. "Unless you create a corporate hierarchy and look at the parent company, all its subsidiaries and who is issuing the securities you hold, and do those linkages, you don't know who you are doing business with or what the credit exposure is," says Holmes.

Holmes agrees with Kim's view that regulatory compliance is a big driver for data management improvements. All of these different drivers create the need for more understanding and better management of reference data. Many of the big institutions turn to their own staff to deal with reference data concerns. "They have always had a little group doing this because they have always needed to intervene on data at some point," says Holmes. "Each group tends to solve only their own problems, however. The issue has become much bigger and the types of data that the corporate hierarchies and legal entities need isn't really available from a single source. The user needs to intervene and do something."

When users intervene, the question is whether they should do the work or outsource it. Internal work may require a software purchase, but the staff will still have to run the software and handle exceptions. "It is a way to getting to the golden copy process," says Holmes. "Golden copy is not a 'one-off' activity because data changes every day. Unless the user can clean it, monitor it, maintain it and add new data quickly and accurately, then golden copy tarnishes very quickly," he says. The buy side is now asking how to create the records needed for high-value applications and how to build databases so data is readily available and maintained, according to Holmes.

Continued on next page

ENTERPRISE DATA MANAGEMENT

Some buy-side users need data management capabilities that go beyond reference data solutions, and turn to investment hub offerings.

Continued from previous page

Cicada allows users to either run its software internally or outsource the work to them. Cicada's outsourcing is similar to the operations of an application service provider (ASP). "We validate the data," says Holmes. "We cleanse it and structure it as the customer's data warehouse or risk management application requires. We have a security master and also a complete counterparty master. Many of the big companies will have their own data warehousing strategy for which we can act as the front end."

Cicada's outsourcing model provides a complete business process using its own data analysts to handle exceptions that come out of the software. "If some data fails a validation rule, we don't just dump that on the customer," explains Holmes. "We research and correct it."

Some buy-side users need data management capabilities that go beyond reference data solutions, and turn to investment hub offerings, like InterView7, produced by Netik, the London and New York-based provider of information and data software for the securities industry. "InterView7 captures transactions that emerge from specialist trading systems or order-management systems and shepherds them through the process," says Colin Close, Chief Information Officer, Netik. "The user sets up the validation steps and whether the transaction may need to go outside of the organization to communicate with brokerage houses. The data comes back from the third parties and the transaction must be updated. Finally, the transaction is safely, accurately and quickly posted to accounting."

InterView7's data portal traps transactions and other data and assembles it safely in the data warehouse for subsequent reporting, according to Michael Rodgers, North American Sales Director and Head of New Business Development, Netik. "It will be responsible for sucking out streams of information and data that need to be thrown at other best-of-breed systems that require it," says Rodgers. "The data portal is most efficiently used to draw the record data from outside vendors; the hub scrubs and cleans it, assembles a golden copy and distributes it."

InterView7 is offered on both an ASP and installed basis. Most top-tier customers use Netik products on an installed basis, according to Close. "They retain control," he says. "They prefer to control the data." These firms, adds Close, will export their accounting work, then store the results and use them for reporting. □

Securities Industry News: Netik in Fund Valuation Feature

Securities Industry News

Fund Valuation: Art or Science?

[Chris Kentouris](#), Senior International Editor

While the Securities and Exchange Commission remains divided on what type of oversight, if any, to impose on the estimated \$700 billion hedge fund industry, attendees at a Managed Funds Association conference late last month agreed they don't need any regulatory intervention that could crimp the growing market. But at the very least, the scrutiny is drawing attention to one of the most problematic issues facing hedge fund managers: fair valuation.

The broad discretion that portfolio managers have to value certain of their exotic and illiquid assets—as well as some well-publicized blowups—have given rise to concerns about whether some hedge fund portfolios are accurately valued. Those questions are all the more pressing now that pension fund managers and other investment shops, which once frowned upon any high-risk investment, are allocating a greater percentage of assets to hedge funds.

Greenwich Associates has projected that pension fund managers, which now allocate less than 1 percent of their \$5 trillion in assets to hedge fund investments, will increase that figure to 7 percent for corporate funds and 5 percent for public funds in the coming years. Those levels may seem small but they will amount to a whopping \$250 billion, Greenwich says.

While there is no direct correlation between requiring hedge fund managers to register as investment advisers—as the SEC has recommended—and fund valuation, those registering as investment advisers would need to disclose financial reports and be subject to on-the-spot audits by federal agents. SEC registration also sets up the possibility that hedge funds would need to obtain "independent" valuations of their funds and be subject to more frequent, or the very least established, reporting times.

It is unclear when the SEC will announce any final decision on hedge fund regulation following its September 2003 state-of-the-industry report, but it has already indicated that hedge fund managers may be subject to the same obligations as registered investment advisers running mutual funds. Last December, the regulator took action against an unregistered hedge fund executive—Wilfred Meckel, senior managing director of Marque Millenium Group—for failing to supervise an investment manager from inflating the performance of three funds.

"Hedge funds that invest in complex swaps, structured finance instruments or distressed debt typically have more valuation concerns than those in exchange-traded products," said Kenneth Grant, chief investment officer for Exis Capital Management, speaking at the MFA gathering. "Somebody in your shop better know how to price them accurately and you should rely on more than one source."

Although tax and regulatory environments in Europe vary greatly, the growth of retail hedge funds has also brought oversight to the forefront across the Atlantic. A controversial paper recently released by John Purvis, a British member of the European Parliament, advocates a "light-touch regulatory regime with harmonized rules" but also questions whether there should be greater disclosure requirements and limitations on the types of hedge funds that can be sold to retail investors." The U.K. represents Europe's largest market for offshore funds.

Stepping In

The MFA and other trade groups, such as the International Association of Financial Engineers, are only too eager to provide of guidance on valuation. In its May 2003 guidelines, the MFA recommended that traders not have the final say in the process, since they stand to benefit the most from the outcome. The IAFE also recently released a series of questions all fund managers should be prepared to answer from investors.

However, those recommendations are not a panacea for hedge fund managers, who are held legally responsible for determining what is fair value. "It's not a science but an art form," said Grant.

Hedge fund managers aren't the only ones faced with valuation challenges--the mutual fund industry and Freddie Mac, for example, have had plenty of their own problems recently--but because hedge funds typically invest more in non-standard financial instruments, they are perceived to be in the weakest spot.

"Any investment fund allocating assets in exotic, non-exchange financial instruments will face issues. However, hedge funds stand to lose the most if they misprice securities because they rely on arbitrage opportunities--which often occur with non-traditional contracts," said MFA conference attendee Tim Straus, CEO of StoneHedge Partners. The hedge fund services provider is now installing Cogency Software's FundWisdom package to flag problematic pricing discrepancies for its clients.

Software vendors that have historically catered to traditional buy-side firms are also entering the hedge fund arena. A case in point is Netik, which is now targeting hedge fund managers for a new version of its Interview Investment Hub package, which aggregates pricing data from several dozen vendors, prime brokers and fund administrators. The software platform already boasts about 40 asset managers, prime brokers and fund administrators as clients.

It is impossible to determine how widespread the problems are in valuing semi-liquid or illiquid securities: it depends on the hedge fund's investment strategy, and firms are reluctant to disclose any specifics on their holdings. Semi-liquid securities can also easily become illiquid in a market downturn or through other unexpected events.

However, as a rule of thumb, there is a wider spread between the bid and offer prices in the case of semi-liquid securities than exchange-traded securities. Preliminary results of an informal survey conducted by consultancy Rutter Associates indicate that credit derivative portfolios face the most pricing challenges, while hedge funds investing in foreign exchange instruments face the least.

"Different portfolio managers holding even the same complex financial instrument could easily price differently because of the difference in the underlying assets," said Laurence Penn, managing director at Ellington Capital Management.

Pricing Options

Hedge fund managers rely on an array of pricing sources, including internal models, pricing vendors, broker-dealers, prime brokers and third-party administrators such as Bank of New York, Citibank, State Street and GlobeOp Financial Services, but all assume no liability from investors. Contracts are couched with disclaimers and as a result, hedge fund managers engage in what is often called "shadow accounting."

While third-party administrators and prime brokers often poll multiple broker-dealers and prime brokers, they typically rely on pricing information provided by the hedge fund manager. The same applies to auditing firms, although they have become more stringent in taking samples of positions verifying the manager's assumptions.

"The portfolio manager reviews any discrepancies between himself, his trading desk, broker-dealers and other third-party sources to determine differences in methodology, before making a final decision," said Gerald Beeson, CFO for Citadel Investment Group. "For some instruments, which are driven by a single dealer, portfolio managers and dealers must come to an understanding."

Exis Capital Management's Grant said that his firm often relies on prices from prime brokers and two to three broker-dealers. "If there is a vast difference of opinion, it's back to square one," he said.

Penn argued that while the MFA's recommendation of independent pricing procedures between hedge fund managers and their trading desks has merit, it is not entirely feasible. "Traders and portfolio managers must speak to each other. Both have the responsibility to sign off on valuations."

Portfolio managers do plenty of their own "modeling" for non-traditional securities using spreadsheets and external software packages from the likes of SunGard and RiskMetrics. They also have established procedures to prevent the use of a stale price from a price provider, which in the case of semi-liquid or illiquid securities could result in a mistaken valuation.

But how do they ultimately decide who is correct? For some, erring on the side of caution appears to be the best solution, even if it doesn't benefit redeeming investors. "We often base it on the lowest of the price range," said Penn. "In the case of interest-rate securities with call features, it may be appropriate to write off securities at zero value."

Calling the Side Pocket

One potential solution for pricing illiquid securities, offered by Todd Streichler, director of quality assurance for GlobeOp, is what he termed "side pockets."

"The illiquid assets can be separately aggregated without being valued until they are sold," he said.

Streichler noted that not all illiquid assets should be put in a "side pocket" since the process poses substantial accounting and operational issues for hedge fund managers; new investors to a hedge fund--those purchasing after the initial wave--cannot be allowed to share in the purchase of those securities. Indeed, others said they were not aware of any funds that had taken advantage of such provisions.

As if hedge funds don't have enough headaches in valuing exotic financial instruments, how much information to reveal about their pricing policies is also a quandary. Offering documents typically discuss the matter at an "80,000-foot level," but some MFA panelists suggested that more disclosure may be needed, particularly if a fund deviates from generally accepted accounting principles.

"If you want to move away from GAAP standards, you should indicate which standard you are using because investors expect fiduciaries to be consistent and use verifiable standards," said Paul Roth, founding partner of the Chicago law firm of Schulte, Roth and Zabel.

Just as important as disclosure is separately maintaining documentation on pricing procedures, which could reduce potential disputes with investors and regulators. "You must have documentation on segregation of responsibilities among hedge fund staff and third parties," said Robert Sullivan, lead partner for PricewaterhouseCoopers' New York metro advisory business.

And therein lies a stark choice. "If you have procedures, you have to follow them," said Roth. "If you don't have them, you better make sure you don't get into any trouble or you will be liable for failure to supervise."

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Hedge Funds & Investment Technology: Portal Upgrade

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NEWS ANALYSIS

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PRODUCT UPGRADE | TECH VENDOR REVEALS RE-TOOLED INVESTMENT PORTAL

Netik upgrades data management system

LONDON – Netik, a securities data management and reporting technology vendor, has unveiled an enhanced version of its InterView Investment Hub, a data and accounting information portal.

Specifically, the system's InterChange data portal has been retooled to provide automated, real-time data feeds of hedge funds' transaction information to their accounting systems, resulting in faster report generation for fund managers and clients.

According to John Wise, Netik chief executive, the firm has a strategic partnership with hedge fund technology developer Advent in which InterChange feeds transactional data to Advent's Geneva accounting

system for validation, after which reports are sent back to managers.

"Our product now provides online, real-time data processing for hedge funds that don't have time to go around and repatch a load of information – it has to be right the first time," Wise says.

Colin Close, chief investment officer at the firm, says the enhancements made to the InterChange portal were driven by the complex nature of hedge fund operating environments.

"InterChange needs to be able to capture data from trading systems and validate those transaction streams according to the requirements of the workflows within the organisation itself and of the fund's accounting engine,

which is Geneva," Close says.

"We have to be flexible to ensure the transaction is adequate for posting to Geneva without the probability of it being rejected. Then our information portal will take that accounting information out to report back to the manager."

The new version connects to Geneva via Netik's common investment adapter, developed jointly with Geneva.

Investment managers now also have the ability to selectively outsource certain components of their accounting operations by using the upgraded version of InterChange, according to Wise and Close.

Stewart Eisenhart

NEWS BRIEFS

Continued from page 8

product margin engine of the same name, has signed a non-exclusive distribution agreement with independent software vendor TradingScreen.

TradingScreen provides connectivity, global trading platforms, and STP technology to traditional and alternative asset managers. According to the terms of the agreement, TradingScreen has integrated and 'white labelled' version of MarginClick into its trading front-end and risk management application for global listed derivatives.

MarginClick is an ASP application that calculates initial and variation margin data for all major listed derivatives exchanges and on a range of other margin-based instruments including OTCs, swaps, FX, equity and bonds.

Linedata connects to State-Street's FX Connect

Linedata Services, a Paris-based provider of trading technology, has unveiled a direct interface with FX Connect, State Street's multi-bank electronic foreign exchange trading system. The interface between Linedata's LongView trading system and FX Connect provides clients with access to foreign exchange markets. FX Connect is available via Global Link, State Street's multi-asset class research and trading platform currently used by approximately 400 asset managers. The interface eliminates the re-keying of trade information and improves workflow efficiencies. "We have already automated electronic trading in the fixed income and equity markets. Now our clients have direct access to the foreign exchange market through the

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PRODUCT UPGRADE | OMS AND TRADING SYSTEM VENDORS TEAM UP

Magregor offers OMS clients access to Pipeline ATS

BOSTON – Buy-side order management system (OMS) vendor Macgregor has partnered with Pipeline Trading Systems, the New York-based developer of the Pipeline alternative trading system (ATS) to offer clients access to the platform.

The Pipeline ATS incorporates hidden book orders that allow investment managers and hedge funds to anonymously negotiate exchange-traded and listed stocks in large trade blocks, which helps mitigate against front running and penny jumping.

According to Steve Alepa, executive vice-president at Macgregor, the alliance with Pipeline is part of

the firm's larger strategy of providing as many liquidity sources as possible for OMS clients.

"We're trying to give our clients access to all the latest and greatest points of liquidity and tools," Alepa says. "We had a couple of clients who were considering working with Pipeline, so we agreed to go ahead and work with them too. That's how it usually works when we think there's a viable liquidity model behind an ATS. We'll integrate them into our OMS and see how it goes."

Alepa says the connection will be available once Pipeline officially deploys its platform. "They want

critical mass before they roll it out – five to ten broker-dealers and maybe five to ten institutions so there's enough liquidity."

Fred Federspiel, president of Pipeline, explains that once integration with Macgregor is complete, most of the connectivity work with individual OMS users will have been done. "We expect connectivity over the next couple of weeks, and then final integration with Macgregor clients after that," Federspiel says. "Once we test out the platform with Macgregor's staff, any work required for their customers will be less demanding."

Stewart Eisenhart

STP Magazine: Colin Close Thought Leadership

■ Can hedge fund operations be a paradigm for the whole industry? asks Colin Close, CIO at Netik

Over the past three years we have seen a huge growth in alternative investment funds as investment managers respond to investors' demand for higher returns and they themselves seek the higher management fees associated with these funds. The discipline required to run such higher risk alternative investment funds has resulted in the rapid evolution of requirements for a flexible and efficient operating model that could serve as a paradigm for operations in traditional markets.



This model is characterised by the emergence of specialist managers, best of breed systems and specialist accounting, high levels of outsourcing and the dependency on real-time aggregated information reporting.

Institutional investors have introduced new concerns that must be addressed by hedge fund managers. The first is transparency and disclosure. The institutions must be able to determine their real positions and exposure. This need drives the second concern which is an urgent demand for immediate delivery of real-time information. Aggregating real-time data from multiple sources is tough to do accurately and quickly. This problem is compounded when investors use multiple managers, who in turn have multiple prime brokers or OTC counterparties.

The management and servicing of hedge funds takes place against a backdrop of a total investment manager revenue base that is contracting. Cost control is of utmost concern, explaining the alternative funds sector's propensity to outsource.

Outsourcing non-core functions is an increasing trend. Such processes include pricing, fund accounting, fund administration and investor record-keeping. If the managers are seeking to attract institutional business, they must ensure their provider can handle more complex requirements, such as the ability to provide risk management analytics, full time online access to a data platform and custom integrated reporting. The variable take-up of such services means the third party provider needs a flexible platform, yet this "platform" is not a single entity. The approach of constructing such a platform has had to be one of assembling best of breed systems to sit beside traditional infrastructure. The challenge is to combine the alternative infrastructure with the infrastructure that supports traditional markets so investors get a consolidated view across their accounts, portfolios or funds. This requires the following features.

First, automated workflow functionality is required to ensure trades are delivered to and received from the appropriate front and back office applications. These routing rules enable the best of breed applications to process in their own specialist domain in the most efficient manner. Second, the results of the processing in the traditional and alternative investment applications must be represented in an aggregated form, for client reporting and performance measurement and risk management. The only way to do this is via a consolidated, scalable data warehouse acting as the hub at the centre of operations, catering for all investment types and aggregating data from multiple sources.

It is this information centric approach to the hedge fund operations model that should be a paradigm for the rest of the industry.

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IBS: International Banking Systems Annual STP 2003 Report

STP Annual Report: Netik Coverage within the report...

Netik founder, John Wise, was originally a founder of stockbroker systems specialist, Synergo. He moved over to Terence Chapman Associates (TCA) when this acquired Synergo in 1994. TCA set up TCA Syntec and appointed Wise to run this. He was responsible for marketing OpenHub, a traditional hub and spoke middleware offering which was derived from the messaging part of the Synergo-derived Tarot stockbroker system. In mid-1998, TCA decided to withdraw from the middleware market, by which time Wise had left to form a start-up company, Netik.

Netik grew rapidly at the outset by focusing on integration and internet enablement with its Interchange component middleware product and then on end-to-end STP solutions with its Netik Interstream product. Although based in the UK, early success came in the USA. Notable deals were with Bankers Trust and Citibank. The former took Interchange to reside in front of a range of accounting systems, including Sungard's InvestOne, providing staff with on-line query capabilities across intranet and extranet. At Citibank, it is used as the gateway into the bank's custody systems for third parties. Having succeeded with Citibank in the USA, Netik then managed to displace SeeBeyond's (STC as was) Datagate at Citibank in the UK to provide a Windows NT to mainframe link. The main reason for the win seemed to be price.

Interstream constitutes an STP solution made up of a number of components for messaging, workflow and integration, wholly embracing the Microsoft range of products including Transaction Server, SQL Server, Internet Information Server and MSMQ. Unlike some middleware solutions, Netik Interstream comes with a standard price list, based on a charge per server and per interface. The overall cost of a contract could vary from \$50,000 to \$500,000, Wise said.

The Netik EAI offerings can operate with various other middleware products such as IBM's MQSeries. There are libraries for standard message formats, such as Swift or FIX. In addition, Edifact and XML are supported within the solution. Virtually all of Netik's customers to date use its middleware in an intranet or extranet environment, typically linked to legacy systems. The supplier touted a new acronym, Space (Single Point of Access, Control and Entry), which basically means a single gateway for all information across all systems.

There was also a system for secure, structured messaging over the internet, together with full Swift and FIX messaging/connectivity. This was dubbed Interlink. It also provided a gateway into the emerging GSTPA (now no more) and Omgeo (Citigroup took the GSTPA link in 2001 for its broker/dealer, investment management and global custody businesses). The Interlink product, coupled with Netik Interstream, provided the basis for Netik's Transactional STP product. For a time, there was a plan to push Swift messages over the internet, partly by linking

the TurboSwift user base (see below). This brought the wrath of Swift and, either for this reason or due to a lack of market demand, the interesting plan failed to take off.

While Netik has its own sales-force, it also sells through a number of distributors. There was a short-lived tie-up with Braid, prior to this company's acquisition by TSI/Mercator. Netik has also signed distributor agreements with Compaq and Logica. The latter took Netik Interchange as an interface layer into its payment systems.

As stated, Netik grew rapidly in a short space of time. A first round of investment came in mid-1999 with Warburg Pincus taking a stake of slightly under one-third. This brought \$15 million for expansion and \$90 million for acquisitions in the banking business-to-business arena. A first acquisition came in early 2000, in the form of seven person Swift interface specialist, MIC Data. It had a number of offerings, the flagship of which was TurboSwift. In August 2003, Netik sold TurboSwift to USA-based BankServ, a provider of Fedwire transfer and ACH payment solutions to banks, governments, higher education and businesses. The solution was renamed GFX TurboSwift, with Netik remaining as a distributor for the product. BankServ had been a distributor of TurboSwift since September 2000.

In late 2000, Netik acquired Los Angeles-based matching and reconciliations specialist, Lightspeed Data Systems. The Lightspeed solutions were incorporated into the Netik product suite. Lightspeed had around 20 users in the USA. The Lightspeed name was dropped, with the company forming Netik's matching division, centred in Los Angeles. Continuing on the acquisition trail, in early 2001, Netik purchased New Jersey-based securities data warehouse specialist, Montclair Financial Technology. This company brought with it a number of clients in the USA, along with a few in Europe. The Montclair product suite was focused on investment management, and trust and custody. The data warehouse solution was rebranded as xNetik Interview. All the Montclair personnel moved across and formed a new Information Solutions division. A Unisys distributor relationship was retained.

A planned flotation in 2000 failed to materialise and was followed by another round of investment towards the end of the following year. Meanwhile, Netik found it was not immune from the general IT doldrums, especially in the financial arena and, in late 2001, it shut down offices in Asia Pacific and Central America. This was followed by a cut back in staff numbers in early 2002. Among the departures in March were Wise and CFO, Travers Bell. Mike O'Leary, ex-Misys board member, was installed as CEO and he immediately set about redefining the company strategy, with the Montclair system coming to the fore. By late 2002, rumours, soon to be realised, of more staff redundancies emerged. In fact, O'Leary did not last long and Wise returned. A takeover bid by an existing customer was mooted. By year end, the dust had settled with new appointments for managers in both London and New York and a final headcount down, conservatively, by 30 per cent. Most important, however, was the news that existing investor, Advent Venture Partners, had pumped in extra funds with Wise stating that all merger and acquisition talks were at an end, with the company emphasis being placed on a return to profitability.

The emphasis is now on Interchange and Interview (the web portal and information hub for investment management and reporting, which stemmed from the Montclair acquisition). The two systems have been bundled, so that Interchange can provide the connectivity layer for Interview.

STP Magazine: Netik Launches Reconciliation and Matching Tool

Netik launches low cost reconciliation and matching tool

Netik has launched a low cost matching and reconciliation platform which it hopes will entice customers to invest further in its flagship investment hub solution. Netik InterMatch release 2.0 is billed as an entry level component to Netik InterView v7.0, and is, the vendor claims, a truly rules based generic matching engine – as distinct from solutions which are dependent on program code with parameters.

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Explaining the origins of the solution, targeted at fund administrators, prime brokers, global asset managers and custodians, Netik CEO John Wise told *STP*: "When we were building our functionality for central matching, we realised that there are a huge number of matching and reconciliation situations in the lifecycle of a piece of information. Customers kept asking us whether we could do this form of matching and that form of reconciliation, and we'd say, why don't we just talk to your existing reconciliation system?

And they'd say, our recs system doesn't do that. The legacy solutions in this area are pretty rigid." Wise says InterMatch is "a true business rules engine: by dragging and clicking you can build as many rules as you like. Legacy recs systems providers say their solutions are rules based, but in reality they have very heavy parameters."

Netik says it is pricing InterMatch 2.0 at a tenth of the \$200,000 price tag such a solution would have cost a few years ago. CIO Colin Close says: "Our reckoning is that recs is a commodity, so we are treating it as such." He recognises that there are a number of incumbent recs systems suppliers who view recs as being far from commoditised. "We've got to rub shoulders with these solutions," he agrees. "A lot of them are very finite: they do cash reconciliations, or whatever. Where we've got ahead is in meeting the more complex needs of hedge funds and alternative investments." Wise adds: "It's obvi-

ously true that there will be some customers who already have recs engines installed, but we've priced ours at such a level that to purchase it is less than the cost of annual maintenance for a legacy system."

Netik can offer its recs solution at such a relatively low cost because it uses leading edge technology, Wise says. "I would ask other recs tool providers, how many lines of code does it actually take to write a matching engine? It's not that big a deal – the technology's moved on."

Netik makes no secret of the fact that it hopes to up-sell customers who take on InterMatch to InterView. "Our core value is the ability to do data management around the data warehouse," says Wise. "We are pricing InterMatch at an entry level to promote the use of the tool, and then we'll promote the data warehouse behind it. Obviously that's more expensive."

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Securities Industry News: Netik in reconciliation Industry Feature

CheckFree-Heliograph Deal Adds Post-Trade Options CheckFree-Heliograph Deal Adds Post-Trade Options

by Chris Kentouris Senior International Editor

CheckFree's acquisition of middleware vendor Heliograph will expand the vendor's reach from reconciliation to the financial messaging, transaction management and corporate actions arena, thus providing several hundred clients a full post-trade product suite. CheckFree officials emphasizes that the combination of their products with Heliograph's will enable the firm to deliver a single, global, enterprise financial transaction management system with centralized information and exception monitoring.

"With a single provider, companies can manage the end-to-end transaction lifecycle to track trade status, confirm transaction settlement, reconcile transactions, manage exceptions and risk, and provide real-time reporting," said Mark Zill, SVP and general manager of CheckFree's financial and compliance solutions unit.

The \$18.3-million deal, announced last week, bolsters Heliograph's lagging efforts in the U.S. market that the U.K.-based firm entered just two years ago. The deal also provides CheckFree with an additional distribution channel in Europe—a region it has recently been targeting, going head-to-head with the dominant players SunGard Data Systems and Smartstream Technologies with an enterprise-wide reconciliation product, known as Recon Plus Frontier, that it launched last year.

The reconciliation arena has become increasingly crowded over the past few years, with Accurate Software, Financial Models, City Networks and Netik jumping in. Once taking a back seat to other securities processing issues, reconciliation—the matching of cash and securities details among counterparties and their agents—has become more important as firms seek to reduce their operating costs and risk. Some reconciliation vendors are, in turn, expanding beyond departmental solutions to offer enterprise-wide products and are also beefing up their exception processing capabilities internally or by pairing up with others.

Heliograph has 160 clients, with more than half based in Europe. The firm's best-selling package is its middleware message broker package. Meanwhile, TradeFlow, a transaction management package, has about 60 clients, and eVent, the corporate actions package, has about eight.

CheckFree's growth strategy largely parallels Smartstream's, which also expanded into the trade flow management and corporate actions arena through acquisitions. Financial Technologies International also offers full trade cycle management and corporate actions software but does not have the reconciliation piece.

"Reconciliation vendors are no longer content to pigeonhole themselves into that category and have entertained the idea of vertical mergers," said Tim Lind, a senior analyst at consultancy TowerGroup.

The Heliograph takeover comes on the heels of SunGard's purchase of the joint intellectual property rights to CheckFree's separate Recon Plus for Windows, a departmentally focused recon product, marking an end to a seven-year marketing alliance between the two vendors. SunGard had already incorporated the functionality of Recon Plus for Windows into its IntelliMatch product and the new arrangements with CheckFree allow SunGard to develop IntelliMatch as an enterprise-wide product and integrate it within Step, an exception-processing platform.

Heliograph CEO Amery Thomas has contended that his company's 30-percent growth over the past 12 months meant there was no need for a cash buyout. But sources said the firm was cash-starved and looking for a suitor for some time; at least one potential buyer turned down a deal, these sources said. The sources also said Richard Vreeland, head of U.S. operations for Heliograph, recently left, as did one of the vendor's top U.S. salesmen.

STP Magazine: Colin Close Thought Leadership

TALKING POINT DATA WAREHOUSING



A journey, not a destination

In the investment hub model, a dynamic data repository is key

Data warehouses can be seen as cul de sacs for information. What is really needed is a super-dynamic repository of data placed at the heart of investment operations and engineered to support the data flow and information needs of the whole of the investment/investor services value chain.

Such requirements demand that data elements are assembled and aggregated into information that can be pulled and pushed through multiple channels to support the information needs of the entire investment process, with its multiple specialist participants, tools, systems and applications. This is an information centric approach to rationalising infrastructure and gives rise to the concept of the "investment hub". It is the ultimate challenge for data modelling, integration and workflow. For those of you looking for such a product, what you need is a solution that combines a "battle tested" investment database with sophisticated integration technology to form a single information portal for deployment in support of front, middle and back office applications. Such a scalable, high performance data processing solution must be deployable in bite sized chunks delivering value-added flexible reporting.

Though millions of dollars have been invested in replacement strategies, such initiatives have failed to deliver benefits and there is still a huge reliance on legacy processing systems. Now, the strategy is to retain such systems and endeavour to inject into them a new lease of life. This is also

true for the vendors of accounting solutions.

Both users and vendors of accounting systems need to improve their ability to process and report the information that is often locked up inside the system. They can achieve this by repositioning their product as an accounting "engine" and placing it at the heart of an investment hub product. The combination of such accounting engines and an investment hub can provide specialist solutions for asset managers, prime brokers, wealth managers, brokers and custodians, where the platform processes orders, trades, positions and accounted positions in real-time while aggregating information to allow flexible reporting, web delivery and the further leveraging of the hub using additional value-added applications such as global performance measurement and attribution, compliance monitoring and risk measurement.

The utopia of an all singing, all dancing solution from a single vendor seeking to deliver excellence in function specific processing as well as satisfying the dynamic reporting and information requirements of the enterprise is a pipe dream. No vendor can provide a solution suitable for all aspects of the business, so best of breed is here to stay.

But the best of breed strategy needs glue to hold it together, and data aggregation to fully support the business process. Each vendor within a best of breed strategy will assert that they can enhance their solution to cater for the new, flexible functions required as the business requirements evolve. But their data models are typically designed to be fit for original purpose and cannot be easily enhanced. The new variant quickly becomes the "ugly sister" that cannot perform because it has the wrong data model.

Some cars are good for specific purposes and poor for others: a sports car is great for a car enthusiast but very poor for a farmer in Africa with mud and rocks for roads. In the same way, data models must be fit for purpose. Data modelling requires extensive experience to get it right. Without this experience, which often comes from having to tune, fine-tune and re-tune the model when it is in the battle field of production, huge, costly mistakes will be made.

What is required is a data model that is able to hold practically any order, trade, current real-time positions through to audited positions and market/reference data. The data model is the factor most critical to the success of an investment hub product, because such a solution requires the ability to support the widest profile of transactions and accommodate the crescendo of information that a transaction acquires as it navigates through each part of the investment chain. The hub's function must support the business needs of all the players in the chain. It must support any instrument and investment vehicle, from equities to complex exotics and alternative investments.

The deployment of investment hub solutions is an approach to rationalising infrastructure, delivering STP and enhancing the client experience via value-added information reporting. Such solutions are a pragmatic way in which to patch together the multiplicity of existing tools and specialist applications that underpin best of breed strategies.

Colin Close is CIO of Netik



By Colin Close

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Bobsguide.com: Netik Launches InterMatch

Netik, the Investment and Accounting Hub specialist launches Netik InterMatch -- a comprehensive platform for multi-entity flexible matching and reconciliation

New York and London—Netik, the Investment and Accounting Hub specialist, today announced the launch of Netik InterMatch Release 2.0 that is an entry level component for their flagship product Netik InterView v7.0, for the securities industry.

Targeted at fund administrators, prime brokers, global asset managers and custodians, Netik InterMatch Release 2.0 provides a unique Generic Matching Engine (GME) for both matching and reconciliation scenarios in the securities industry. The GME is truly a rules-based engine and does not depend on program code with parameters as is provided by the existing legacy vendor solutions. The existing vendors are only able to solve reconciliation issues in 'silos', i.e., one instance of their product per reconciliation/matching scenario. They do not have enough flexibility to provide generic matching and reconciliation for multiple scenarios feeding exceptions into a common high performance browser application for resolution processing.

Netik InterMatch Release 2.0 is a component of Netik's flagship product Netik InterView v7.0, and is used in the data portal suite for data management. The data portal provides data validation, matching and reconciliation, and cleansing tools to distribute enriched reference data and other information throughout the enterprise. The complete Netik InterView Investment Hub solution uniquely deploys both the Data Portal and the Information Portal to 'safely' assemble data from multiple sources, store comprehensive portfolio and investment data on the data warehouse, and transform this into information for distribution throughout the enterprise as well as externally for client reporting.

Netik InterMatch Release 2.0 is a component within Netik InterView v7.0 Investment Hub whose technology is modular and has been engineered to enable fast implementation of high performance and massively scalable solutions; one of these rapidly deployable modules is Netik InterMatch Release 2.0. The Netik InterMatch solution can be easily integrated with existing legacy accounting systems and matched with external data sources as prescribed by the reconciliation scenario. Clients can achieve quick tactical 'wins' through immediately improving matching and reconciliation conditions and exception resolution within a rules-based transaction management framework. Such is the flexibility of the product that matching scenarios include multi-sourced reference data cleansing with the ability to construct a 'golden copy' for onward distribution throughout the enterprise.

Keith Hale, Managing Director, Netik Plc, states: "This is a reaction to the market need for more complex rules for matching and resolution driven from the Hedge Fund Industry. Our customers have turned to Netik because the traditional reconciliation vendors, who can only offer limited capability from their legacy applications, cannot satisfy these new requirements." Hale continues, "Netik InterMatch was originally developed over two-and-a-half years ago to handle the changes in the securities world relating to central trade matching – a key requirement of the T+1 programme. Today

flexibility is King, and InterMatch is the new paradigm for truly flexible matching and reconciliation."

Colin Close, CIO, adds, "A few years ago such a functionally rich and scalable reconciliation solution would have sold for over \$200,000. However, Operations Managers today would find it difficult to show an attractive ROI with pricing at such a level. Therefore Netik has decided to price the product at a 10th of the original (historical) value because Netik InterMatch is positioned as an entry level component for our flagship Netik InterView v7.0 solution. We believe that clients will want to buy into the compelling vision of implementing the complete Netik InterView Investment Hub solution because it can differentiate their business and improve business margin, but that they will want to start off by deploying the Netik InterMatch module so as to collect early 'low hanging fruit' benefits."

Close continues, "In this way, Netik sees the matching and reconciliation function as a component of the larger data management discipline that is handled within Netik InterView's Data Portal. As important as it is to get it right, it is also important to see matching and reconciliation in its' proper context as part of this larger data management picture and in this respect the function is commoditised."

Netik is currently in discussion with a number of niche software and consulting companies that wish to leverage Netik InterMatch to provide 'silo' solutions in a best-of-breed manner. In addition, such vendors wish to provide a number of the more common matching and reconciliation 'scenarios' (or rule books) in an off-the-shelf library. Nevertheless, it is intended that each implementation can be significantly tailored as appropriate to the customer's operational requirements. Close says, "At the currently proposed price level, which is targeted at being lower than the equivalent maintenance fees charged by the legacy vendors, we expect the take-up to be high because the ROI will be compelling."

Alastair Upton, Technical Director, says "We have evaluated the vendors in this segment and believe Netik InterMatch to be the leading product because we use Netik's finite state technology platform to deliver the GME. This is key to the flexibility, massive scalability and performance of the Netik InterMatch product. Although many companies will use words like 'Business Rules', they actually mean that they have a 'Program' that is specifically tailored to a scenario and have some parameters that can change the behaviour of their product. This is not an honest definition and is most definitely not the case with Netik InterMatch. Netik InterMatch's GME can have, say, 10 complex conditions on one site implementation and on another maybe 100 or, indeed, 1000 as appropriate. All these conditions can be overlaid with as few or as much Boolean logic and as many dependencies as appropriate – this is our definition of 'flexibility'."

Windows in Financial Services: Netik Launches InterMatch

Netik New Product Release

The Netik InterMatch solution can be easily integrated with existing legacy accounting systems and matched with external data sources as prescribed by the reconciliation scenario. Clients can achieve quick tactical 'wins' through immediately improving matching and reconciliation conditions and exception resolution within a rules-based transaction management framework. Such is the flexibility of the product that matching scenarios include multi-sourced reference data cleansing with the ability to construct a 'golden copy' for onward distribution throughout the enterprise.

Keith Hale, Managing Director, Netik Plc, states: "This is a reaction to the market need for more complex rules for matching and resolution driven from the Hedge Fund Industry. Our customers have turned to Netik because the traditional reconciliation vendors, who can only offer limited capability from their legacy applications, cannot satisfy these new requirements." Hale continues, "Netik InterMatch was originally developed over two-and-a-half years ago to handle the changes in the securities world relating to central trade matching – a key requirement of the T+1 programme. Today flexibility is King, and InterMatch is the new paradigm for truly flexible matching and reconciliation."

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About Netik

Netik is the Investment Hub Company that specialises in providing Information and data centric software solutions for the Securities and Investment Markets. Netik's focus is in financial Information Automation, aimed at increasing business margin and customer experience through improved data management and information management around the Netik InterView securities Data Warehouse and is designed for asset managers, private banks, hedge funds, prime brokers, fund administrators, and custodians.

Windows In Financial Services: SIBOS feature

Microsoft to target payments, STP and compliance at SIBOS 2003

Microsoft announced its participation at this year's Sibos conference and exhibition in Singapore, 20-24 October 2003. At the show, Microsoft will demonstrate how it is changing the economics of payments automation, compliance and STP by making complex technology solutions more economically viable for institutions large and small. The company is also participating in a SWIFT panel discussion on partnerships.

On its stand, Microsoft will be showcasing solutions from key technology partners such as HP, SIA, Netik, Capco, SunGard eProcess Intelligence, Financial Architects and NetEconomy. Sibos delegates will also have the opportunity to view Microsoft's own financial services-specific solutions such as the BizTalk Accelerator for Financial Services. Launched in November 2002, the Accelerator provides a cost-effective,

reliable, and secure delivery of payment and financial industry messages using the SWIFT network.

Patrick De Smedt, Chairman of Microsoft EMEA, will be participating in the SWIFT panel session on 'Addressing new realities through strong partnerships' on 22nd October at 4pm. He will discuss Microsoft's partnership with SWIFT and how, together, the two companies are helping financial institutions cost-effectively integrate new business solutions with their existing environments.

Microsoft is an active partner of SWIFT and its technology is widely used by financial institutions for their day to day operations over the SWIFT network. Currently, over 50 per cent of the SWIFT interfaces run on Microsoft technology.

"We are delighted to be attending SIBOS this year," says Patrick DeSmedt, Chairman, Microsoft EMEA. "Microsoft has developed a close relationship with SWIFT over recent years. It is the strength of this relationship and our dedication to promoting fast ROI solutions that has enabled our technology to become one of the most widely used platforms for SWIFT interfaces accessing the SWIFT network. We are looking forward to addressing the key topics of payments, STP and compliance at the show, as well as discussing other, wider issues facing the industry today."

Trading Technology Week: Netik Launches InterMatch

NETIK DEBUTS INTERMATCH

Integration vendor Netik has launched Netik InterMatch, release 2.0, with a rules-based Generic Matching Engine (GME) for both matching and reconciliation scenarios, officials say. The Netik InterMatch Release 2.0 is a component of Netik's flagship product Netik InterView v7.0, and is used in the data portal suite for data management.

Banking Technology's SIBOS Daily: Netik InterMatch

Netik bolsters data suite with flexible matching platform

By Michael Goodbody

Netik, a developer of STP solutions for the securities industry has launched a multi-entity, flexible matching and reconciliation platform for its flagship InterView

v7.0 product. The company, which provides information centric STP solutions for the securities industry, launched the newest version of InterView in June this year and the addition of the new Netik InterMatch product is the first major functionality addition to the data portal suite.

Intermatch 2.0 offers users a generic matching engine (GME) in order to facilitate matching and reconciliation with the company stressing that the rules based structure built into the GME offers players in the securities industry something new. Netik says that the lack of a reliance on parameter dependent programme code allows users to solve information reconciliation problems on a generic matching level, rather than at the data silo level, with reconciliation in multiple scenarios feeding into a common high performance browser.

'InterMatch represents the next generation in data reconciliation and matching technology being fully integrated with the InterView data portals,' says Don Haddow, vice-president business development at Netik. 'Intermatch is a scaleable, flexible reconciliation and matching solution that allows banks to manage, control and execute very complex data scrubbing and exception management and workflow.'

Netik's InterView product assembles data from multiple sources and stores the portfolio and investment data on a data warehouse before transforming the information for enterprise wide, and external, client reporting.

'Currently we have a tier one prime brokerage and a tier one fund administrator live on Intermatch and we expect to announce some more implementations by year end,' says Haddow. 'We are now able to offer an out of the box solution providing data management integration and multi-channel delivery to external and internal users. This is an information analysis toolset for business users to access, analyse and report their fund or business information.'

Operations Management: Netik Launches InterMatch

Netik Launches Matching, Recon Platform

Netik is currently testing a matching and reconciliation system, which it just enhanced, with two firms. **Michael Rodgers**, director of sales at Netik, said the company is testing the solution with a large global prime broker and global fund administrator, but he declined to name either firm. The product, InterMatch Release 2.0, automates the reconciliation process and provides a generic matching engine for matching and reconciliation. Intermatch provides the flexibility of matching and defining rules for cash, securities positions and transactions data.

Rodgers said the product had been used internally at Netik and was included in the company's flagship product InterView 7.0. This is the first time it is being released as a stand-alone product to the marketplace. InterView will also include off-the-shelf reconciliation workflow scenarios for prime brokers, hedge funds and fund administrators. He declined to disclose the cost of the product which the company expects to release in December.

Finextra: Netik Launches InterMatch

Netik matching module comes with commoditised price tag

Netik has launched a low-cost matching and securities reconciliation module as part of its flagship InterView investment and accounting hub product.

Targeted at fund administrators, prime brokers, global asset managers and custodians, Netik InterMatch release 2.0 provides generic matching and reconciliation, feeding exceptions into a common browser application for resolution processing. Matching scenarios include multi-sourced reference data cleansing with the ability to construct a 'golden copy' for onward distribution throughout the enterprise.

Originally developed over two-and-a-half years ago to handle central trade matching under T+1, the product is now being priced as an entry-level component for Netik's InterView data management portal.

Colin Close, Netik CIO, says a few years ago InterMatch would have come with a price tag of close to \$200,000. "Operations managers today would find it difficult to show an attractive ROI with pricing at such a level," he says. Instead, the firm is pricing the product at \$20K as part of a foot-in-the-door sales strategy for InterView v7.0.

Close says Netik sees the matching and reconciliation function as a mere component of the larger data management discipline that is handled within Netik InterView's Data Portal.

"As important as it is to get it right, it is also important to see matching and reconciliation in its' proper context as part of this larger data management picture and in this respect the function is commoditised."

The firm is currently in discussion with a number of niche software and consulting companies about stand-alone InterMatch sales or software library componentisation.

Global Custodian: Netik Launches InterMatch

Netik Launches New Rules-Based Engine For Its Matching Tool

Netik has released Netik InterMatch Release 2.0, a new component for their flagship product Netik InterView v7.0, aimed at fund administrators, prime brokers, global asset managers and custodians.

Netik says Netik InterMatch Release 2.0 provides a unique Generic Matching Engine (GME) for both matching and reconciliation scenarios in the securities industry. "The GME is truly a rules-based engine and does not depend on programme code with parameters as is provided by the existing legacy vendor solutions," says a Netik spokesman. "The existing vendors are only able to solve reconciliation issues in 'silos', i.e., one instance of their product per reconciliation/matching scenario. They do not have enough flexibility to provide generic matching and reconciliation for multiple scenarios feeding exceptions into a common high performance browser application for resolution processing."

Netik InterMatch Release 2.0 is a component of Netik's flagship product Netik InterView v7.0, and is used in the data portal suite for data management. The data portal provides data validation, matching and reconciliation, and cleansing tools to distribute enriched reference data and other information throughout the enterprise. The complete Netik InterView Investment Hub solution uniquely deploys both the Data Portal and the Information Portal to 'safely' assemble data from multiple sources, store comprehensive portfolio and investment data on the data warehouse, and transform this into information for distribution throughout the enterprise as well as externally for client reporting.

Netik InterMatch Release 2.0 is a component within Netik InterView v7.0 Investment Hub whose technology is modular and has been engineered to enable fast implementation of high performance and massively scalable solutions; one of these rapidly deployable modules is Netik InterMatch Release 2.0. The Netik InterMatch solution can be easily integrated with existing legacy accounting systems and matched with external data sources as prescribed by the reconciliation scenario. Clients can achieve quick tactical 'wins' through immediately improving matching and reconciliation conditions and exception resolution within a rules-based transaction management framework. Such is the flexibility of the product that matching scenarios include multi-sourced reference data

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"This is a reaction to the market need for more complex rules for matching and resolution driven from the Hedge Fund Industry," says Keith Hale, Managing Director, Netik. "Our customers have turned to Netik because the traditional reconciliation vendors, who can only offer limited capability from their legacy applications, cannot satisfy these new requirements. Netik InterMatch was originally developed over two-and-a-half years ago to handle the changes in the securities world relating to central trade matching - a key requirement of the T+1 programme. Today flexibility is King, and InterMatch is the new paradigm for truly flexible matching and reconciliation."

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Windows in Financial Services: Netik-PNC Advisors Customer Case Study

Red Light for Green Screens – PNC Advisors Offers Fast Web

With \$50 billion in discretionary assets and \$130 billion in funds under administration, PNC Advisors felt its core accounting and settlement system was working fine. Where improvement was needed, the Philadelphia manager believed, was in the delivery of that account information to clients, who were not going to remain satisfied with green-screen terminal access.

“Prior to bringing in the Netik product, we were allowing our clients extremely limited access with dialup 3270 technology,” explained Thomas Bohner, vice president at PNC Advisors. Once the bank made the decision, it wanted to move fast. The project was assigned high-priority status and an aggressive four-month internal target for deployment was set – and achieved.

“We were concerned that we risked not being competitive, and Netik allowed us to migrate away from the very old 3270 technology in a relatively short period of time,” Bohner added. “We felt that Netik as a near turnkey product could provide our institutional clients with their data through the Web.”

PFPC, a subsidiary of PNC Corp., had already deployed custody systems and mutual fund accounting systems from Netik successfully, so the firm felt comfortable turning to Netik again to provide information on assets under management.

“Providing Web access to back-office asset management systems is not a simple process of gluing a pretty, colorful graphical user interface to accounting and settlement systems,” said Dan O’Brien, director of Netik’s Professional Services organization. “While back-office applications were designed for high volume accounting and transaction processing, successfully getting access to and effectively using the information in them is another matter. The very strength and purpose of well-designed

back-office systems often runs counter to the information requirements of middle- and front-office professionals and customers.”

That’s where Netik comes in.

“We not only leverage the power of these systems, but we integrate it with important information from other sources, and then provide sophisticated Web-enabled facilities.”

To deliver information that is useful to money managers, Netik provides a database/data warehouse that sits between the transaction systems and the Web interface. This data layer aggregates data so it can provide valuable information for financial professionals.

“At another client,” said O’Brien, “there are more than 450 information feeds from around the world, including accounting information, settlements, and prices. Much of it is processing real-time 24x7 within our data warehouse. In this case, a worldwide network of clients has Web-based access to their information for their own business and information management purposes.

“If they are running a worldwide custodian system, they have an accounting system in each country, all operating independently. The information has to come into one place so you can give the customer a consistent view and offer him tools so he can use the information intelligently.”

Although some accounting system vendors are beginning to offer Web access, they typically are constrained by their process-oriented back-office approach, he added. The data architecture and application technology of Netik InterView were designed for the Internet. The presentation layer can be customized easily to match a firm’s proprietary look and feel, fit into its existing security framework, and offer single sign-on.

Building a data warehouse capable of handling such large and disparate data sources is no simple task, said John Wise, CEO of Netik, which acquired the data warehouse expertise through buying Montclair Financial several years ago.

“To get the data model right is absolutely non-trivial,” he said. “The professionals from Montclair have been at it for 15 years. You need to be able to describe the data and know how to load the data warehouse correctly. Through our designs, we can load at incredible rates and our on-line performance is great.”

With its data architecture, Netik offers users sophisticated query capabilities including drill-down and multi-dimensional analysis. Information can be presented on a digital dashboard, in colorful graphs, and in professional grade Web-print presentations. InterView’s architecture can also draw on data stored outside the Netik data warehouse. PNC Advisors, for example, use Netik to provide its users with direct Internet access to client statements sitting on its back-office legacy systems.

Buy rather than build makes sense for asset managers, said Wise. Companies waste millions on building data warehouse projects and getting it wrong.

“Building it from scratch you would have to be absolutely barking crazy. It would take years in which your business partners wouldn’t see any benefits and you run the risk the project would be canceled. With Netik, you buy 15 years of data modeling expertise on portfolio and investment information.”

Bohner at PNC Advisors reached a similar, if less colorfully stated, conclusion.

“We wanted a cost-effective, quick-to-market solution, and this worked for us. We took the opportunity to let someone who had gone through the arduous tasks of building a good solid database and a good solid Web front end; this allowed us to leverage their expertise in that area.”

E-Payment News: Netik sells TurboSwift Business

BankServ Goes Global, Acquires Netik's SWIFT Business

Posted on Monday, August 04, 2003 @ 10:27:39 EDT

In its first overseas acquisition, BankServ has taken over the TurboSwift business of Netik. TurboSwift, a SWIFTNET-certified CBT, is believed to have the second-largest SWIFT customer base in the world, according to BankServ.

As a result of the acquisition of this multi-million-dollar business, privately held BankServ will add hundreds of new bank clients worldwide to its already robust U.S. client list for which it moves billions of dollars electronically each day. The company specializes in Automated Clearing House (ACH) and U. S. dollar Fedwire money transfer services to banks, businesses, and governments. (SWIFT is a worldwide community of more than 7,000 financial institutions in 198 countries connected to one another through the SWIFTNET network. Collectively, these institutions -- active in payments, securities, treasury, and trade services -- exchange millions of messages valued in trillions of dollars every business day.)

Terms of the agreement were not disclosed. Only reported as an "all cash" deal, BankServ said it was able to finance the acquisition without raising equity and that it expects the acquisition to be cash-flow-positive in the first year. The acquisition closed August 1st. It was approved by the boards of directors of both companies.

BankServ said it will retain key personnel from TurboSwift and will maintain staff and an office in London while moving the headquarters of the business to San Francisco. Mike Golds, who has been with TurboSwift in the United States for ten years, will continue to manage the company's strong distributor network that provides software throughout the world. TurboSwift's client base includes top-tier financial institutions around the world with especially strong presence in Europe, the Middle East, and the former Soviet countries. More recently TurboSwift has been gaining ground in Latin America, the United States, and Asia.

As a result of the acquisition, BankServ's TurboSwift software product will be marketed in both site license and service bureau formats. TurboSwift enables financial institutions to connect to the worldwide SWIFT communications network for the purpose of transferring funds, perform cross-border payments, and communicate about Foreign Exchange, Securities and Letter of Credit transactions.

eComm Strategies News: Netik sells TurboSwift Business

Focus on Financial Markets

Bankserv and Netik.com Team To Deliver International Funds Transfer Services

BankServ, Inc., a leading payment solutions provider announced at SIBOS their strategic alliance with Netik.com that would enable them to distribute Netik's xNetik TurboSwift software. This significance of this distribution agreement is that this would enable BankServ to offer financial institutions a single source software solution for both domestic and international funds transfers. By utilizing Netik's TurboSwift Software, BankServ's already established GFX system would be expanded to offer a fully integrated application that allows clients to process both FedWire and Swift messaging. This gives financial institutions the ability to look to this one source as the means to provide for both domestic and international funds transfers and is of great benefit to both Tier 1 and Tier 2 level financial institutions.

MicroBanker News: Netik sells TurboSwift Business

BankServ Goes Global, Acquires Netik's SWIFT Business

In its first overseas acquisition, BankServ, a leading financial services technology provider based here, has taken over the TurboSwift(R) business of Netik, Plc, an information automation company headquartered in London, England, BankServ reported today.

TurboSwift(R), a SWIFTNET-certified CBT, is believed to have the second-largest SWIFT customer base in the world, according to BankServ. As a result of the acquisition of this multi-million-dollar business, privately held BankServ will add hundreds of new bank clients worldwide to its already robust U.S. client list for which it moves billions of dollars electronically each day. The company specializes in Automated Clearing House (ACH) and U. S. dollar Fedwire money transfer services to banks, businesses, and governments. (SWIFT is a worldwide community of more than 7,000 financial institutions in 198 countries connected to one another through the SWIFTNET network. Collectively, these institutions -- active in payments, securities, treasury, and trade services -- exchange millions of messages valued in trillions of dollars every business day.)

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"Not only will this acquisition catapult BankServ on the global payments scene for international bank customers," says Dave Kvederis, president and CEO of BankServ, "but it will enhance our leadership in U. S. electronic funds transfer processing by adding strong international payment capabilities to those hundreds of U. S.- based financial institutions we already service." He added that BankServ would soon provide a SWIFT service bureau product to its U. S. customers modeled after its successful U. S. Fedwire service bureau.

"Our bank clients have developed great confidence in BankServ's ability to operate outsource applications for the banks. I can't think of a more logical extension of BankServ's Application Service Provider (ASP) services than to include cross-border transaction processing," he said.

"Netik will remain a distributor of TurboSwift and the deal allows Netik to focus on their core competency of delivering the InterView Investment Hub product to the securities industry," said John Wise, CEO of Netik.

Randy Gutierrez, general manager of BankServ's wire transfer business, added that his company was "excited by the current direction of SWIFT and the many initiatives underway to grow transaction volume by servicing global financial institutions and their corporate customers. We believe BankServ's experience and success with building unique products and delivery channels will further strengthen SWIFT through application and volume growth leveraging the "winning" global infrastructure they have created. Today's action indeed heralds a new day for the company and its customers."

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"One of the drivers of the acquisition," says Peter Hosokawa, BankServ chief operating officer, is that BankServ and TurboSwift(R) have mutual customers utilizing their solutions. The BankServ GFX system and TurboSwift(R) were integrated more than a year ago and now are 'plug and play.' "We have found the needs of our customers increasingly include tightly integrated SWIFT processing for payments as well as functions such as foreign exchange processing, trade services, and international securities processing. We have solved that problem with the BankServ GFX and TurboSwift(R) offerings," he added.

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Finextra: Netik sells TurboSwift Business

BankServ takes over Netik TurboSwift

04 August 2003 - In its first overseas acquisition, US-based BankServ has taken over the TurboSwift business of Netik, adding international payments capabilities to its domestic Fedwire and ACH solution suite.

Reported only as an "all cash" deal, BankServ says it was able to finance the acquisition of the SwiftNet-certified interface device business without raising equity and that it expects the business to be cash-flow-positive in the first year.

Peter Hosokawa, BankServ chief operating officer, says the two companies already have mutual customers following the integration of BankServ's GFX system with TurboSwift more than a year ago.

He adds: "We have found the needs of our customers increasingly include tightly integrated Swift processing for payments as well as functions such as foreign exchange processing, trade services, and international securities processing. We have solved that problem with the BankServ GFX and TurboSwift offerings."

The firm says it will retain key personnel from TurboSwift and will maintain staff and an office in London while moving the headquarters of the business to San Francisco. Mike Golds, who has been with TurboSwift in the US for ten years, will continue to manage the company's international reseller network, which will include Netik.

Dave Kvederis, president and CEO of BankServ, says the company plans to use the acquisition to develop a Swift service bureau product for US customers, modelled on its successful Fedwire ASP business.

"Our bank clients have developed great confidence in BankServ's ability to operate outsource applications for the banks," he says. "I can't think of a more

logical extension of BankServ's Application Service Provider services than to include cross-border transaction processing."

John Wise, CEO of Netik says the deal enables the company to focus on delivery of the InterView Investment Hub integration product to the securities industry.

Yahoo Finance: Netik sells TurboSwift Business

BankServ Goes Global, Acquires Netik's SWIFT Business

Monday August 4, 3:00 am ET

SAN FRANCISCO, Aug. 4 /PRNewswire/ -- In its first overseas acquisition, BankServ, a leading financial services technology provider based here, has taken over the TurboSwift® business of Netik, Plc, an information automation company headquartered in London, England, BankServ

TurboSwift®, a SWIFTNET-certified CBT, is believed to have the second-largest SWIFT customer base in the world, according to BankServ. As a result of the acquisition of this multi-million-dollar business, privately held BankServ will add hundreds of new bank clients worldwide to its already robust U.S. client list for which it moves billions of dollars electronically each day. The company specializes in Automated Clearing House (ACH) and U. S. dollar Fedwire money transfer services to banks, businesses, and governments. (SWIFT is a worldwide community of more than 7,000 financial institutions in 198 countries connected to one another through the SWIFTNET network. Collectively, these institutions -- active in payments, securities, treasury, and trade services -- exchange millions of messages valued in trillions of dollars every business day.)

Terms of the agreement were not disclosed. Only reported as an "all cash" deal, BankServ said it was able to finance the acquisition without raising equity and that it expects the acquisition to be cash-flow-positive in the first year. The acquisition closed August 1st. It was approved by the boards of directors of both companies.

BankServ said it will retain key personnel from TurboSwift® and will maintain staff and an office in London while moving the headquarters of the business to San Francisco. Mike Golds, who has been with TurboSwift® in the United States for ten years, will continue to manage the company's strong distributor network that provides software throughout the world. TurboSwift's client base includes top-tier financial institutions around the world with especially strong presence in Europe, the Middle East, and the

former Soviet countries. More recently TurboSwift® has been gaining ground in Latin America, the United States, and Asia.

"Not only will this acquisition catapult BankServ on the global payments scene for international bank customers," says Dave Kvederis, president and CEO of BankServ, "but it will enhance our leadership in U. S. electronic funds transfer processing by adding strong international payment capabilities to those hundreds of U. S.- based financial institutions we already service." He added that BankServ would soon provide a SWIFT service bureau product to its U. S. customers modeled after its successful U. S. Fedwire service bureau.

"Our bank clients have developed great confidence in BankServ's ability to operate outsource applications for the banks. I can't think of a more logical extension of BankServ's Application Service Provider (ASP) services than to include cross-border transaction processing," he said.

"Netik will remain a distributor of TurboSwift and the deal allows Netik to focus on their core competency of delivering the InterView Investment Hub product to the securities industry," said John Wise, CEO of Netik

Randy Gutierrez, general manager of BankServ's wire transfer business, added that his company was "excited by the current direction of SWIFT and the many initiatives underway to grow transaction volume by servicing global financial institutions and their corporate customers. We believe BankServ's experience and success with building unique products and delivery channels will further strengthen SWIFT through application and volume growth leveraging the "winning" global infrastructure they have created. Today's action indeed heralds a new day for the company and its customers."

As a result of the acquisition, BankServ's TurboSwift® software product will be marketed in both site license and service bureau formats. TurboSwift® enables financial institutions to connect to the worldwide SWIFT communications network for the purpose of transferring funds, perform cross-border payments, and communicate about Foreign Exchange, Securities and Letter of Credit transactions.

"One of the drivers of the acquisition," says Peter Hosokawa, BankServ chief operating officer, is that BankServ and TurboSwift® have mutual customers utilizing their solutions. The BankServ GFX system and TurboSwift® were integrated more than a year ago and now are 'plug and play.' "We have found the needs of our customers increasingly include tightly integrated SWIFT processing for payments as well as functions such as foreign exchange processing, trade services, and international securities processing. We have solved that problem with the BankServ GFX and TurboSwift® offerings," he added.

Trading Technology Week: Netik sells TurboSwift Business

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BRIEF OBJECTS

08/11/03

BANKSERV TAKES OVER TURBOSWIFT'S NETIK

San Francisco-based BankServ has taken over the TurboSwift business of **Netik**, an information automation company, headquartered in London, BankServ officials announced last week. Terms of the agreement were not disclosed. Only reported as an "all-cash" deal, BankServ officials say it was able to finance the acquisition without raising equity and expects the acquisition to have positive cash flow in the first year. BankServ officials say it will retain key personnel from TurboSwift and will maintain staff and an office in London while moving the headquarters of the business to San Francisco. Mike Golds, who has been with TurboSwift in the U.S. for 10 years, will continue to manage the company's distributor network.

Securities Industry News: Netik sells TurboSwift Business

Netik and Advent Software Combine Front and Back Office Solutions

Data warehouse software shop Netik and portfolio accounting software provider Advent Software have teamed up to integrate Advent's accounting platform Geneva with Netik's new InterView 7.0 software to provide fund administrators, prime brokers, and global asset managers a full data management, reporting and investment accounting service.

The InterView 7.0 product represents a merger of two software products: an Information Portal – which allows users to access their most current data, in any format, at any time and from any location – and a Data Portal Hub, which provides data validation and scrubbing tools to distribute information throughout a firm. As a

result, clients can track their account status online in real time and receive electronic copies of reports generated from Geneva at any time from any location over the Web.

The Data Portal Hub is an adaptation of a previous defunct product known as InterStream, which Netik stopped marketing InterStream last summer after the Securities Industry Association opted to postpone the timetable for one-day settlement in the U.S.

“We were considering building a front-end to Geneva on our own but opted to align ourselves with Netik for a more cost-effective and best-of-breed solution,” said Peter Hess, vice president of marketing for Advent in San Francisco, Ca., which boasts about thirty clients for its suite of products. “Most of Geneva’s clients have been relying on a proprietary warehouse similar to what Netik is providing.”

Advent’s core accounting engine Geneva, created in 1995 with the prime brokerage unit of Goldman Sachs, has since been rebranded into three product lines: Advent for Global Asset Managers; Advent for Fund Administrators and Advent for Hedge Funds.

For New York and London-based Netik, the agreement with Advent boasts its competitive edge vis-à-vis its main rival Eagle, a subsidiary of Mellon Financial, by allowing it to leverage Advent’s strength in the prime brokerage and fund administration communities, particularly for hedge funds. Hedge funds themselves, tend to maintain lean IT shops instead relying on prime brokers and fund administrators for their back-office processing – a trend that might accelerate in light of the Securities and Exchange Commission’s call for greater oversight of the industry.

Earnings.com: Netik –Advent Software Alliance

Advent Software and Netik join forces to provide comprehensive data management, investment accounting and client reporting solution

Joint offering for fund administrators, prime brokers and global asset managers

Advent Software, Inc. , the leading provider of software to the financial services industry, and Netik, an information automation company specialising in information-centric STP software solutions for the securities and investment markets, has announced they have formed a strategic alliance to integrate Advent's Geneva(R) and Netik's InterView(TM) v. 7 solutions. The combined solutions will provide fund administrators, prime brokers and global asset managers with a best-of-breed solution for investment accounting, data management and reporting.

The integration of Geneva and InterView allows for the delivery of portfolio accounting information in real-time or batch modes both to a firm's internal sources and externally to clients. This significantly enhances firms' straight-through processing capabilities and reporting presentation.

Geneva greatly improves straight-through processing performance by delivering investment accounting data that is accurate from the outset. Geneva has a number of unique capabilities, including a single unified data model that enables unsurpassed reporting flexibility while eliminating data discrepancies between sub and general ledgers. It also provides unprecedented data accessibility for a multitude of report views and real-time integration with upstream and downstream systems. Geneva's dynamic error correction and unique data management technology provide exceptional data reliability at a fraction of the administrative cost. And Geneva delivers revolutionary accounting functionality and deep security coverage to meet the complex requirements of the most demanding asset managers and administrators.

InterView delivers a high-performance and highly scalable investment hub database that enables organisations to extract, clean/repair, enrich, route and distribute information for dynamic reporting and information processing throughout a firm. The InterView web portal allows firms to track their account status online in real time, as well as receive electronic copies of Geneva reports at any time from any location over the web.

The Investment Hub also acts as a flexible conduit for receiving, transforming, and routing transactions, reports, files, and messages to and from Geneva as well as enabling straight-through processing between Geneva and with other systems, such as trade order management.

"With Advent and Netik, you have an integrated solution that meets the most demanding accounting and reporting needs," said John Wise, CEO and founder of Netik. Netik is known as a leader in information integration, and we have now incorporated this technology into our InterView product in conjunction with Advent. Our Hub insures that only accurate transaction information is sent to Geneva so that error/reject rates are reduced. We also provide a powerful matching and reconciliation engine to insure that both internal and external systems are in synch, every step along the way."

"Geneva's unique technical architecture delivers innovative tools to enable back offices to generate more reliable accounting data at dramatically accelerated rates and at a much lower cost than traditional systems," said Peter Hess, Vice President of Marketing for Advent. "Netik's solution complements the functionality of Geneva very well, and together we'll provide the industry with a truly unique and highly capable solution. Netik has very strong domain knowledge and a very good success rate in the industry. We're pleased to be able to work with them for

the benefit of our mutual clients."

About Netik

Netik is an Information Automation Company that specialises in providing Information-Centric STP software solutions for the securities and investment markets. Netik's focus is in financial information automation, aimed at increasing efficiencies, reducing risk and improving client service for the asset management, broker, custodial, fund administration and prime brokerage and wealth management/private banking markets within the Securities and Banking Industry.

Netik's value proposition is focused on solving the perennial problems associated with how financial firms manage and derive valuable, reliable information from internal and external data. Netik solutions address the fundamental requirements for integration, cleansing, rationalisation and reconciliation of data from an ever increasing numbers of sources, coupled with the need to warehouse and deliver data as valuable, accurate information for primary front-line business usage.

Netik has invested millions of dollars into technology to achieve Information Automation, spanning the domains of Application Integration, Matching & Reconciliation, Financial Data Modelling, Data Warehousing, Analytical Applications and Financial Messaging.

CommsDesign News (CMP): Netik –Advent Software Alliance

Advent Software and Netik Join Forces to Provide Solution

/PRNewswire-FirstCall/ -- Advent Software, Inc. (Nasdaq: ADVS), the leading provider of software to the financial services industry, and Netik, an information automation company specializing in information-centric STP software solutions for the securities and investment markets, today announced they have formed a strategic alliance to integrate Advent's Geneva(R) and Netik's InterView(TM) v. 7 solutions. The combined solutions will provide fund administrators, prime brokers and global asset managers with a best-of-breed solution for investment accounting, data management and reporting. The integration of Geneva and InterView allows for the delivery of portfolio accounting information in real-time or

batch modes both to a firm's internal sources and externally to clients. This significantly enhances firms' straight-through processing capabilities and reporting presentation. Geneva greatly improves straight-through processing performance by delivering investment accounting data that is accurate from the outset. Geneva has a number of unique capabilities, including a single unified data model that enables unsurpassed reporting flexibility while eliminating data discrepancies between sub and general ledgers. It also provides unprecedented data accessibility for a multitude of report views and real-time integration with upstream and downstream systems. Geneva's dynamic error correction and unique data management technology provide exceptional data reliability at a fraction of the administrative cost. And Geneva delivers revolutionary accounting functionality and deep security coverage to meet the complex requirements of the most demanding asset managers and administrators. InterView delivers a high-performance and highly scalable investment hub database that enables organizations to extract, clean/repair, enrich, route and distribute information for dynamic reporting and information processing throughout a firm. The InterView web portal allows firms to track their account status online in real time, as well as receive electronic copies of Geneva reports at any time from any location over the web. The Investment Hub also acts as a flexible conduit for receiving, transforming, and routing transactions, reports, files, and messages to and from Geneva as well as enabling straight-through processing between Geneva and with other systems, such as trade order management. "With Advent and Netik, you have an integrated solution that meets the most demanding accounting and reporting needs," said John Wise, CEO and founder of Netik. Netik is known as a leader in information integration, and we have now incorporated this technology into our InterView product in conjunction with Advent. Our Hub insures that only accurate transaction information is sent to Geneva so that error/reject rates are reduced. We also provide a powerful matching and reconciliation engine to insure that both internal and external systems are in synch, every step along the way." "Geneva's unique technical architecture delivers innovative tools to enable back offices to generate more reliable accounting data at dramatically accelerated rates and at a much lower cost than traditional systems," said Peter Hess, Vice President of Marketing for Advent. "Netik's solution complements the functionality of Geneva very well, and together we'll provide the industry with a truly unique and highly capable solution. Netik has very strong domain knowledge and a very good success rate in the industry. We're pleased to be able to work with them for the benefit of our mutual clients."

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information from internal and external data. Netik solutions address the fundamental requirements for integration, cleansing, rationalization and reconciliation of data from an ever increasing numbers of sources, coupled with the need to warehouse and deliver data as valuable, accurate information for primary front-line business usage. Netik has invested millions of dollars into technology to achieve Information Automation, spanning the domains of Application Integration, Matching & Reconciliation, Financial Data Modeling, Data Warehousing, Analytical Applications and Financial Messaging.

About Advent Advent Software, Inc. (www.advent.com) has been providing trusted solutions to the world's leading financial professionals since 1983. Firms in 55 countries use Advent technology to manage investments totaling more than US \$8 trillion. Advent's quality software, data, services and tools enable financial professionals to improve service and communication to their clients, allowing them to grow their business while controlling costs.

NOTE: ADVENT SOFTWARE and GENEVA are registered trademarks of Advent Software, Inc. All other products or services mentioned herein are trademarks or registered trademarks of their respective companies.

Bobsguide.com: Netik Launches Netik InterView v7.0

Netik Launches Netik Interview v7.0:

An Investment Hub for Wealth Management, Investment Management, Prime Brokerage, Fund Administrators and Custodians

NEW YORK and LONDON, June 4 – Netik, the information automation company for financial markets that specializes in leveraging existing investment systems, announced today the launch of Netik Interview v7.0™ as an Investment Hub for the securities industry.

Netik InterView v7.0 Investment Hub has been designed to enable complete securities data processing and reporting for all instruments including equities, fixed income and other exotic derivatives. Netik InterView v7.0 enables a single consolidated view of investment and banking information for Investment Managers, Private Banks/Wealth Managers, Prime Brokers, Brokers, Fund Administrators and Custodians.

The Netik InterView v7.0 Investment Hub is a complete securities data

model/database/warehouse and integration product that, through it's:

“information portal”, distributes information to fulfil all the dynamic reporting requirements (single-log on web, paper, email, user-defined, what-ifs) and

“data portal” enables organizations to extract, clean/repair, enrich, match, exceptions, route and information processing requirements of the securities market.

In addition, Netik Interview v7.0 Investment Hub has been designed to provide complete data/information workflow management and it processes entities including orders, trades, on-line positions and end-of-day positions via its hub working in tight integration with front-office products (such as order management systems) and mid/back-office office systems (such as specialist accounting engines). Netik InterView v7.0 also has a number of optional value added plug-ins applications such as Portfolio Modelling and Rebalance, Decision Support, Pre Trade Compliance, Post Trade Compliance, and Global Performance Measurement and Attribution.

John Wise, CEO and co-founder said:

“Netik InterView v7.0 is the result of over 15 elapsed years and over 200 man years of focus on our unique data model and integration technology. Today, Netik InterView v7.0 combines our Information Portal for securities data warehousing and reporting, and our Data Portal for securities data processing into an Investment Hub.

Our solution addresses the problems of consolidated reporting and centralized data processing and management in a single solution that can really leverage existing infrastructure and systems. Netik believes we are probably the only solution that has live an installation with over 400 interfaces to a 1.8 tera byte database that handles over \$1 trillion of assets.”

Colin Close, CIO explains:

“A key design concept was Netik's SPACE (Single Point of Access, Control and Entry) for data processing and reporting. The technical challenge that our engineers have achieved is the ability to process very large volumes of data and reports on tera byte databases at speed. To this end we have a massively scaleable solution that can be fully implemented between 3-6 months, that will enable our customers to gain reductions in operational cost and risk while taking users and customer to a new level of on-line interaction”

Advisor Page: Netik-Advent Software Alliance



Joint Offering for Fund Administrators, Prime Brokers and Global Asset Managers

SAN FRANCISCO, June 9 /PRNewswire-FirstCall/ -- Advent Software, Inc. (NASDAQ:ADVS) , the leading provider of software to the financial services industry, and Netik, an information automation company specializing in information-centric STP software solutions for the securities and investment markets, today announced they have formed a strategic alliance to integrate Advent's Geneva(R) and Netik's InterView(TM) v. 7 solutions. The combined solutions will provide fund administrators, prime brokers and global asset managers with a best-of-breed solution for investment accounting, data management and reporting.

The integration of Geneva and InterView allows for the delivery of portfolio accounting information in real-time or batch modes both to a firm's internal sources and externally to clients. This significantly enhances firms' straight-through processing capabilities and reporting presentation.

Geneva greatly improves straight-through processing performance by delivering investment accounting data that is accurate from the outset. Geneva has a number of unique capabilities, including a single unified data model that enables unsurpassed reporting flexibility while eliminating data discrepancies between sub and general ledgers. It also provides unprecedented data accessibility for a multitude of report views and real-time integration with upstream and downstream systems. Geneva's dynamic error correction and unique data management technology provide exceptional data reliability at a fraction of the administrative cost. And Geneva delivers revolutionary accounting functionality and deep security coverage to meet the complex requirements of the most demanding asset managers and administrators.

InterView delivers a high-performance and highly scalable investment hub database that enables organizations to extract, clean/repair, enrich, route and

distribute information for dynamic reporting and information processing throughout a firm. The InterView web portal allows firms to track their account status online in real time, as well as receive electronic copies of Geneva reports at any time from any location over the web.

The Investment Hub also acts as a flexible conduit for receiving, transforming, and routing transactions, reports, files, and messages to and from Geneva as well as enabling straight-through processing between Geneva and with other systems, such as trade order management.

"With Advent and Netik, you have an integrated solution that meets the most demanding accounting and reporting needs," said John Wise, CEO and founder of Netik. Netik is known as a leader in information integration, and we have now incorporated this technology into our InterView product in conjunction with Advent. Our Hub insures that only accurate transaction information is sent to Geneva so that error/reject rates are reduced. We also provide a powerful matching and reconciliation engine to insure that both internal and external systems are in synch, every step along the way."

"Geneva's unique technical architecture delivers innovative tools to enable back offices to generate more reliable accounting data at dramatically accelerated rates and at a much lower cost than traditional systems," said Peter Hess, Vice President of Marketing for Advent. "Netik's solution complements the functionality of Geneva very well, and together we'll provide the industry with a truly unique and highly capable solution. Netik has very strong domain knowledge and a very good success rate in the industry. We're pleased to be able to work with them for the benefit of our mutual clients."

About Netik

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Netik's value proposition is focused on solving the perennial problems associated with how financial firms manage and derive valuable, reliable information from internal and external data. Netik solutions address the fundamental requirements for integration, cleansing, rationalization and reconciliation of data from an ever increasing numbers of sources, coupled with the need to warehouse and deliver data as valuable, accurate information for primary front-line business usage.

Netik has invested millions of dollars into technology to achieve Information Automation, spanning the domains of Application Integration, Matching &

Reconciliation, Financial Data Modeling, Data Warehousing, Analytical Applications and Financial Messaging.

About Advent

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NOTE: ADVENT SOFTWARE and GENEVA are registered trademarks of Advent Software, Inc. All other products or services mentioned herein are trademarks or registered trademarks of their respective companies.

Bobsguide.com: Netik-CGI Wealth Management Alliance

• NETIK AND CGI JOIN FORCES TO BUILD SOLUTION FOR WEALTH MANAGEMENT FIRMS

• • NEW YORK and LONDON, April 23, 2003 – Netik, the information automation company that specializes in providing information-centric STP software solutions for financial markets and the banking and investment division of CGI Group Inc. (CGI), a leading provider of end-to-end information technology and business processing services and North America's fourth largest independent information technology services company, announced today an agreement to market a joint solution based on Netik's InterView Investment Hub and CGI's portfolio management and accounting system MPower.

The solution, MView®, provides unrivalled online reporting, inquiry and analysis for portfolio and accounting information via Netik InterView's Web-based investment portal technology.

The MView® solution evolved from CGI's need for a consolidated information hub to support flexible, browser-based reporting and ad hoc query facilities for its MPower ASP users. Such a hub would address the trend towards online inquiry and analysis, automation of back-office reporting, and enterprise-wide risk reporting.

"CGI has nurtured excellent, longstanding relationships with its MPower customers through listening and understanding the needs of their business," comments Gary Teluckingh, Vice President, Banking and Investments with CGI. "The MPower user group asked for online reporting and analysis to help them cut costs and mitigate risk, and we recognized that this solution was critical to increasing our service levels."

By combining MPower with Netik's InterView Investment Hub, CGI customers have unrivalled access to pre-defined reports and queries, coupled with extensive, user-friendly facilities for user-configured reports, ad-hoc queries and analysis against any or all of their portfolio data. InterView provides the Mview® solution with enhanced analysis capabilities ranging from consolidated summary reports to detailed, multi-dimensional analysis of investment information. Flexible output enables users to view output within a browser in tabular and/or graphical form, download & save results to Microsoft Excel, and generate structured reports in pdf format or Crystal Reports for printing or delivery via email.

The MView® solution is engineered specifically for the Wealth Management market in Canada and targets the mutual fund, managed account, WRAP and institutional investment sectors.

John Wise, Netik's CEO says, "Netik has a close relationship with CGI stretching back several years and I am delighted that this has now culminated in the partnership that has produced the Mview® solution. This innovative collaboration delivers a market-leading ASP platform for Wealth Management in the Canadian market."

Solution Challenges Addressed

CGI required a data hub to maintain current and historical portfolio data, isolated from the MPower production database. The data hub was to be scalable, secure with real-time capabilities. CGI required a feature-rich, browser-based environment from which MPower clients could query, "slice & dice" and report portfolio information, customized to their requirements, without incurring the time delay and expense of creating conventional hard-coded reports.

Following an extensive technical due diligence review, CGI recognized that Netik's InterView Investment Hub met its information access requirements, and provided the most reliable, cost-effective strategy for enhancement of CGI's outsourced services. Colin Close, Netik's CIO says, "Netik's technology is a perfect match for CGI's requirements not just because of the closeness of fit in features and functions needed, but also the requirement for unquestioned scalability and performance driven by the service levels expected from an ASP solution. Netik's products have been rigorously shaken down over the years by leading-edge deployment in Tier 1 institutions such that we specifically deliver high performance and massively scaleable Investment-HUB and WEB PORTAL solutions for investment management, analytics and reporting."

Finextra: Netik Upgrades Securities Investment Hub v.7

Netik upgrades securities investment data hub

05 June 2003 - UK-based Netik has launched version 7.0 of InterView, its browser-based investment data hub for wealth and investment managers, prime brokers, fund administrators and custodians.

InterView 7.0 provides a single consolidated view of investment and banking data and has been designed to enable complete securities data processing and reporting for all instruments including equities, fixed income and other exotic derivatives.

The product combines the vendor's information portal for securities data warehousing and reporting with its data portal for processing into a hub. Netik says a key design concept of the solution is single point of access, control and entry (space) for data processing and reporting.

In addition, the solution can be integrated with existing front, middle and back office systems to provide data workflow management and to process entities including orders, trades, online positions and end-of-day positions.

John Wise, CEO and co-founder, Netik, says: "Our solution addresses the problems of consolidated reporting and centralised data processing and management in a single solution that can really leverage existing infrastructure and systems."

Users can also add optional plug-ins applications to the hub, such as portfolio modelling and rebalance, decision support, pre and post-trade compliance and global performance measurement and attribution.

Wall Street & Technology: Netik-Advent Software Alliance



Advent Software, a California-based investment-management vendor, has aligned with STP-software-solution provider, Netik, to create a best-of-breed solution for investment accounting, data management and reporting. The solution, which can be used by fund administrators, prime brokers and global asset managers, integrates Advent's Geneva with Netik's InterView v.7. The vendors claim that the result will be an enhanced delivery of portfolio-accounting solution, both internally and externally, as well as improvement on a firm's straight-through-processing and reporting capabilities.

World News Network: Netik-Advent Software Alliance

Advent Software and Netik Join Forces to Provide Comprehensive Data Management, Investment Accounting and Client Reporting Solution (English)
Joint Offering for Fund Administrators, Prime Brokers and Global Asset Managers SAN FRANCISCO, June 9 /PRNewswire-FirstCall/ -- Advent Software, Inc. (Nasdaq: ADVS),

STPForum: Netik Launches Netik InterView v7.0

Netik launches Interview v7.0

June 12th 2003 - STP solution vendor **Netik** has launched Interview v7.0 as an investment hub for investment managers, brokers, custodians and prime brokers. Interview operates as a securities data model, database, warehouse and integration product.

The hub uses an information portal to distribute information and a data portal to extract, repair and enrich data. By linking with front-office and back-office systems Interview can provide

complete information workflow management.

Owen Wild

Trading Technology Week: Netik at Advent's Booth at SIA

June 16, 2003

New York - London

ISSN 1096-2638 Vol 6 No 32

Netik (at Advent Software, 2504, and Microsoft, 3504)

Netik and Advent Software will be integrating Advent's Geneva investment accounting data and **Netik's** InterView, version 7, to create a solution that provides investment accounting, data management and reporting for prime brokers as well as fund administrators and global asset managers. For sell-side prime brokers, the combination could enable them to offer hedge fund firms an outsourced service, **Netik** officials say. For instance, orders from an order management system (OMS) could be sent via the Web for validation and enrichment to InterView, which is hosted by a prime broker. The order would then pass through Geneva, with the resulting accounting information in report form being delivered through the Web. A beta release of the combined effort is expected next month.

STPForum: Netik –Advent Software Alliance

Advent ties Geneva to Netik's Interview

June 13th 2003 – **Advent Software**, a San Francisco-based provider of investment management solutions, and information automation solution provider **Netik** have formed an alliance to integrate solutions for asset managers, fund administrators and prime brokers. Advent's Geneva, a portfolio accounting solution, will be integrated with Netik's Interview v7.0 investment hub that was released earlier this week.

The combined solution utilises Netik's information and data management capabilities with the accounting functionality of Geneva. Netik stated upon the release of Interview v7.0 that the solution could be easily integrated with firm's existing front- or back-office software. Netik suggests clients will see the main benefits of the link through reduced errors or rejections based on data, as only accurate transaction information is able to communicated through the

system.

Trading Technology Week: Netik Launches Netik InterView v7.0

June 9, 2003

New York - London

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NETIK RELEASES INTERVIEW 7.0

Integration vendor **Netik**, last week launched the **Netik InterView v7.0** "Investment Hub," which is to enable complete securities data processing and reporting for all instruments, including equities, fixed income and exotic derivatives. InterView combines **Netik's** two primary modules: Information Portal, which distributes information to fulfill all the dynamic reporting requirements (single-log on Web, paper, e-mail, user-defined, what-ifs); and Data Portal, which enables organizations to meet the extraction, cleaning/repair, enrichment, matching, exceptions, routing and information processing requirements of the securities management.

STP Magazine: Keith Hale Thought Leadership Article

TALKING POINT REGIONAL CUSTODY



Mind your backs

As the trend for fund managers to outsource middle and back offices to global custodians picks up speed, regional and domestic custody providers could lose out

Regional custodians are currently in a precarious position. They must carefully consider the best use of funds to gain the most value for their customers and themselves.

Regional custodians might be leading US domestic players or leading specialists in one European region. They want to minimise costs, while providing excellent customer service to ensure they retain and attract new customers. However, there is a storm on the horizon.

The storm is the pent-up demand from the buy side to outsource back or middle office processing to focus on core competencies and reduce costs. The global custodians are the most likely candidates to offer outsourced services. The concern for regional custodians is that their custody services will go with the outsourced back/middle office to the global custodians.

Many regional custodians have undergone mergers or acquisitions in recent years. The resultant custody, stock lending and accounting infrastructure is un-integrated and inconsistent, so economies of scale and cost saving across combined businesses have not been realised. The "customers" do not have consistent mechanisms for delivering and receiving transactions, and typically don't have a single view of consolidated reporting and statements.

The regional custodians generalise customers into two groups. The first main group are the owners and buy side firms that are local or domestic to that region, which not only undertake local trades and other transactions, but also global transactions. The regional custodians must send and receive all their transactions via Swift, file or even fax, but then use the global custodians to process only relevant global transactions, typically via Swift.

Clearly this adds to already complex internal post-merger architecture. In order to get the required cost savings, all transactions delivered via Swift and custom files should be automatically routed not only to the various inhouse custody and accounting systems, but also to the global custodians, without the need for manual investigation and intervention. One regional custodian we work with calls this automated routing of trades and other transactions "global turnaround".

It receives trades via Swift and ISITC files, as well as re-keying faxes, and routes the global trades to various global custodians via Swift. The opposite is true of statement and FX information.

Equally important is the need for a single consolidated data warehouse to aggregate statement and reporting data so the customer doesn't notice the numerous underlying systems processing the various transactions. This data comes from not only the various internal systems, but also the global custodians that have undertaken the processing of the global transactions. This must include taking account of the various tax implications and other regulatory issues around the world. In this way, the end customer gets a consolidated picture of its holdings and transactions, thereby avoiding the "why don't we go direct to the global custodian?" argument. To preserve these types of customers, this consolidated view of information is essential.

The second main group of customers is effectively where the roles are reversed. The global custodians send the local or domestic trades and transactions to the local or domestic custodian for processing, since they do not have the network or infrastructure to undertake the settlement and other processing. The global custodian will expect very high levels of service, particularly in the processing and reporting of the transactions. Automated routing and processing must be as slick as possible. Management of transactions must be undertaken on a truly exception basis.

To protect their businesses, regional custodians must address two fundamental requirements: automated transaction routing from multiple sources and consolidated reporting across their customer base. In so doing, they will retain customers in their newly merged environment with an apparently consolidated customer view of information, without the expense of moving all accounts to a single accounting platform.

In the future, they may consider offering back/middle office outsourcing services, such as trade matching, aggregated reconciliation and trade dated portfolio accounting, in a highly flexible and customer driven manner. But they need to do this before the global custodians gobble up that market and the regional custody with it.

Keith Hale is general manager at Netik



By Keith Hale

June 2003

STP Magazine

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Trading Technology Week: Netik-Advent Software Alliance

June 23, 2003

New York - London

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Advent Software Teams Up With Netik

Advent Software, a content distributor and software developer, and Netik, an information automation company, are joining forces to integrate Advent's Geneva, its real-time global portfolio accounting system and Netik's InterView v.7 "Investment Hub," which enables complete securities data processing and reporting for all instruments, including equities, fixed income and exotic derivatives solutions. InterView was recently released and combines Netik's two primary modules: Information Portal, which distributes information to fulfill all the dynamic reporting requirements (single log- on Web, paper, e-mail, user-defined, what-ifs); and Data Portal, which enables organizations to meet the extraction, cleaning/repair, enrichment, matching, exceptions, routing and information processing requirements of the securities market (*Trading Technology Week*, June 9). The resulting Advent and Netik product will provide full front to back office solution for investment accounting, data management and reporting.

Wall Street & Technology: Netik Launch TurboGateway

Date: Mar 13, 2003

Publication: WST

Operations Briefs

Netik, an independent supplier of financial-messaging products for the Swift network, announced the launch of its SwiftNet Gateway product, TurboGateway. This multi-service SwiftNet gateway is available on both Windows and UNIX platforms and allows access to all existing and future SwiftNet services such as FIN, CLS, RTGS Plus, etc. TurboSwift Version 7.0, Netik's accredited Swift CBT, with TurboGateway V1.1 provides the ability to connect to the FIN messaging service over SwiftNet. X25 connectivity is retained, giving customers flexibility in managing their migration.

Finextra: Netik Launch TurboGateway

Netik opens SwiftNet gateway

12 March 2003 - Netik has released a multi-service SwiftNet gateway product, TurboGateway, providing single system access to existing and promised services available over the next-generation interbank messaging network.

The gateway package is available on both Windows and Unix platforms and as part of TurboSwift Version 7.0, Netik's SwiftNet accredited interface device.

Keith Hale, managing director of Netik comments: "TurboGateway ensures the continued roll-out of SwiftNet FIN functionality for existing customers as a plug-in to TurboSwift, and also offers a stand alone gateway product for other SwiftNet services, without the need for other gateway products."

Securities Industry News: Netik in feature on BMA STP hub

2003 09:24 FAX 212 956 9633 S.D.P. 002

Monday, March 24, 2003

SECURITIES INDUSTRY NEWS

STRAIGHT-THROUGH PROCESSING

BMA STP Hub Must be Cheap and Easy, say Vendors

By Shane Kite
Senior Staff Reporter

The key to automating the antiquated, paper-based post-trade process of the buy side is to make it cheap and easy, according to comments from more than 170 participants on a Bond Market Association (BMA) conference call held last week to elicit ideas for the trade group's straight-through processing (STP) message hub.

The project is aimed at eliminating taxes from the trade matching and allocations processes as well as enticing a reluctant buy side into the bond market's emerging STP model. The BMA released a "request for information," or RFI, in February for building the STP message hub.

Getting the buy side to buy into the overall automated STP architecture long-promoted by the sell side is the real challenge. Many small shops have failed to commit to such services, arguing that the costs of automating allocations vs. faxing in a low trading volume environment far outweigh the benefits.

Thus, "low barrier to entry and low cost are the real keys" to a successful project, said Keith Hale, managing director in London for Netik, a middleware and Swift connectivity vendor, which participated on the call and will respond to the RFI. The BMA is seeking a messaging hub that can do FIX to Swift translations between counterparties, he said, suggesting a Web-based link with secure encryption during the call as a potential solution.

The lack of customer uptake to automate partly led to the death of the Global Straight-Through Processing Association's (GSTPA) Transaction Flow Manager (TFM), a central matching utility (CMU). Lack of demand on the buy side contributed as well to the Securities Industry Association (SIA) last year taking T-1 off the table.

Continued complacency remains a challenge as well for Omgeo, a surviving CMU and joint venture of Thomson Financial and the Depository Trust & Clearing Corp. Costs and complexity have been issues raised regarding the Central Trade Manager (CTM). Lee Cutrone, Omgeo's managing director of U.S. industry relations, is a member of the BMA STP Steering committee that is coordinating the message hub effort.

Going back to your point of how do you get the buy side to really take advantage of this, one of the reasons some of the other initiatives such as the GSTPA in the past didn't get momentum together was essentially because there was a relatively high barrier to entry ~~not~~ to connect to the GSTPA and then the work flow subsequently was very complex, so you've got to make it very simple, stupid, easy and cheap to connect, that's the trick," Hale said. A suggestion in the BMA RFI to make the hub not-for-profit had little support, he added, saying it would fit as a lure to innovation.

Small investment management firms represent a massive \$4 trillion in assets under management—\$1.2 trillion shy of the total assets under management for the largest firms. Since faxing remains the standard way of communicating allocations for these firms, they present a serious hitch to STP. Small custodians are even less automated.

Meanwhile, Omgeo announced Deal Time STP last week, an initiative the vendor first unveiled but did not name to *Securities Industry News* (Feb. 24). The solution described in Omgeo's press release last week mirrors the BMA goals for the hub.

Middleware provider Mercator said it would respond to the RFI. "We have the technology, the expertise and the right partners, which would provide the accompanying network infrastructure," said a spokeswoman. She would not name partners.

A source close to Radianz said the vendor intended to respond to the RFI through participation with "other players, including current members on RadianzNet."

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STP Forum: Netik and Swift submit hub proposals



News *****

Netik and Swift submit BMA hub proposals

March 18th 2003 - **Netik** and **Swift** officials say they will be submitting Common Message Hub (CMH) proposals to the **Bond Market Association** (BMA) and the **Asset Managers Forum** (AMF) in response to a joint Request for Information (RFI) issued late last month.

The BMA and AMF developed the RFI to further define their concept of a common hub for the bond market. The hub will allow the exchange of post-trade data between buy- and sell-side firms, utilities and alternative trading systems (ATSs).

According to the RFI, sent to 9,000 individuals, the hub will cover message routing, store and forward messaging, network management and security, data mapping of FIX and ISO messages and an ISO Xml data dictionary. The timetable for implementation would be at least a year from the receipt of a workable idea, says Nick Mannarino, chair of the CMH subcommittee at the BMA and global head of fixed income at JP Morgan Chase. Responses to the RFI are due back by April 4.

So far, other than Netik and Swift, other STP providers, such as SunGard, Omgeo, and Radianz, have declined to comment. Netik plans to combine its Interlink solution, which performs message translation and routing over the internet, with those of several other unnamed respondents, says Keith Hale, managing director of Netik.

The BMA is not setting out to build a trade-matching service that would compete with existing services, such as Swift, Omgeo and TradeWeb's TradeXpress, Mannarino explains. "This will just be a communications facility," Mannarino adds, also clarifying that the BMA will not own, operate, or build the hub's technology. The hub is to be not-for-profit, and a low-cost point of entry for firms that now can ill-afford connectivity to counterparties, say Mannarino and Joe Sack, the BMA's executive vice president.

Global Custodian: Netik Launches TurboGateway



NEWS

11 Mar, 2003

Netik Launches Upgraded SWIFT IP Gateway

Netik, a supplier of financial messaging products for the SWIFT network, today announced the launch of their SWIFTNet Gateway product, TurboGateway. This multi-service SWIFTNet gateway is available on both Windows and UNIX platforms and allows access to all existing and future SWIFTNet services such as FIN, CLS, and RTGS Plus.

Netik says that because the SWIFT network is moving from X.25 connectivity to IP connectivity, between August 2002 and the end of 2004, new gateways are needed. The migration is mandatory for all SWIFT FIN customers and is organised around a country- based schedule published by SWIFT. All existing FIN customers will need to migrate by the end of 2004, when FIN access via X.25 will no longer be supported.

TurboSwift Version 7.0, Netik's low cost accredited SWIFT CBT, with TurboGateway V1.1 provides the ability to connect to the FIN messaging service over SWIFTNet. X25 connectivity is retained, giving customers the greatest flexibility in managing their migration. A key feature of the new interface to SWIFTNet is to allow existing customers to remain on their hardware platform of choice.

Keith Hale, Managing Director of Netik PLC commented, "This release of TurboGateway shows Netik on-going commitment to provide a low-cost, multi-platform, multi-network financial message product suite. TurboGateway ensures the continued roll-out of SWIFTNet FIN functionality for existing customers as a plug-in to TurboSwift, and also offers stand alone gateway product for other SWIFTNet services, without the need for other gateway products."

Trading Technology Week: Netik and Swift submit BMA Hub Proposals



March 17, 2003
New York - London

Netik, Swift Submit BMA Hub Proposals

NEW YORK--Netik and Swift officials say they will be submitting Common Message Hub (CMH) proposals to the Bond Market Association (BMA) and the Asset Managers Forum (AMF) in response to a joint Request for Information (RFI) issued late last month.

The BMA and AMF developed the RFI to further define their concept of a common hub for the bond market (*TTW*, March 10). The hub will allow the exchange of post-trade data between buy- and sell-side firms, utilities, and alternative trading systems (ATs).

According to the RFI sent to 9,000 individuals, the hub will cover message routing, store and forward messaging, network management and security, data mapping of FIX and ISO messages, and an ISO XML data dictionary. The timeline for implementation would be at least a year from the receipt of a workable idea, says Nick Mannarino, chair of the CMH subcommittee at the BMA and global head of fixed income at JP Morgan Chase. Responses to the RFI are due back by April 4.

Thus far, other than Netik and Swift, other straight-through processing (STP) providers, such as SunGard, Omgeo, and Radianz, decline comment.

Netik plans to combine its Interlink solution, which performs message translation and routing over the Internet, with those of several other unnamed respondents, says Keith Hale, managing director of Netik.

The BMA is not setting out to build a trade-matching service that would compete with existing services, such as Swift, Omgeo and TradeWeb's TradeXpress, Mannarino says. Nor will BMA solicit construction of a standing instructions database (SID), such as those offered by TradeWeb and Omgeo.

"This will just be a communications facility," Mannarino says, also clarifying that the BMA will not own, operate, or build the hub's technology. The hub is to be not-for-profit, and a low-cost point of entry for firms that now can ill-afford connectivity to counterparties, say Mannarino and Joe Sack, the BMA's executive vice president.

Although the hub is reminiscent of the failed Global Straight Through Processing Association (GSTPA) utility, BMA and AMF advocates point out that, unlike the GSTPA, the CMH won't require massive changes to workflow, and that through the AMF, it has the support of the buy side. Most of the participants of a March 10 BMA call-in represented buy-side firms.

But some see roadblocks, including the agnostic, non-commercial approach.

"I've no idea whether we would use something like [the hub]," says one bond-dealer IT executive. "Demand

drives these solutions, rather than committees. The buy side will make the decision."

Daniel Safarik

Bobsguide.com: Netik Customers upgrade to ISO15022 Standard

Netik Customers Successfully Upgrade To ISO15022 Standard

• • NEW YORK and LONDON, Feb. 18 – Netik, the information automation company that specializes in providing specific information-centric STP software solutions for the securities and other financial markets announced today all the relevant customers within its 200-plus client-base have successfully upgraded to the ISO15022 standard. This was achieved using a wide range of Netik's transaction STP, financial messaging and information hub components, including the TurboSwift and InterChange product sets. Netik's products have enabled their clients to take full advantage of the benefits and features offered by the new ISO15022 messaging standard.

Netik's solution offers a highly integrated STP environment successfully combining multi channel delivery capabilities, with a complete securities information hub, seamlessly integrated using Netik's financial messaging, application integration, and matching and reconciliation capabilities.

To date many clients have extended their Netik solution to accommodate the new standard. Netik has worked with customers over a number of years to automate the processing of custody transactions. The solution uses Netik's rules-driven integration and workflow engine, InterChange, whilst presenting a single consolidated view of investment information via Netik's investment information hub, InterView.

Through Netik, existing clients have extended and enriched their STP solution and have fully integrated ISO15022 into its processing infrastructure making full use of the ISO15022 field data dictionary. Netik's product set provides them with a complete solution seamlessly integrated with their back end systems. Central to the solution is Netik's Operational Data Store (ODS), which is based upon the ISO15022 data dictionary and facilitates compliant messaging, rules-based matching, workflow integration and transaction status tracking, all presented via web portal access for users.

Keith Hale, Managing Director and co-founder of Netik PLC commented, "We pride ourselves in meeting the needs of our customers on demand. The Netik solution provides a single consolidated platform for information and transaction STP."

Trading Technology Week: 2002 Review



TTW 2002 REVIEW

STP Prevails as T+1 Is Deferred

6. With the SIA's galvanizing goal of settlement one day after the trade (T+1) in mind, firms at the beginning of the year were gearing up to revamp their systems and their connectivity to counterparties. A sizable number of software and consulting players lined up to serve them--all in time for June 2005, (*TTW*, Jan. 7).

But as the year wore on, business continuity preparations in the wake of Sept. 11 took their toll on budgets already strained by declining trading volumes. It looked increasingly likely that the arbitrary T+1 goal, pushed back from June 2004, would be unreachable by a meaningful number of firms. The SIA pulled the plug in July, refocusing the goal on the elimination of physical security delivery, straight through processing (STP) and a much more vague concept of "efficiency." A series of vendor setbacks followed (*TTW*, July 22).

The Global Straight Through Processing Association's (GSTPA) operating company GSTP announced that it would shut down its virtual matching utility (VMU) by the end of the year, leaving Omgeo as the only live VMU (*TTW*, Nov. 25). Vendors and consultants such as Capco and **Netik** had to change game plans, reorganize and let staff go (*TTW*, Nov. 4, Dec. 6) as the urgency of their messages was deflated by the removal of the deadline, and by a sluggish appetite for efficiency gains from an industry brutalized by the past year's events.

Even so, STP product development and plans pressed forward.

The Bond Market Association (BMA) announced plans to build a central message hub in the hope of achieving STP in the bond industry, a somewhat ambitious project given the failure of the equities market--at least a year ahead of the bond market in terms of electronic trading--to sustain interest in the T+1 deadline (*TTW*, Dec. 2). The BMA may have been encouraged by the Government Securities Clearing Corp.'s (GSCC's) automation of Street-side matching with the Real Time Trade Matching (RTTM) upgrade (*TTW*, Nov. 4).

Operations Management: Citi to build a VMU, Netik rumored provider

Published on December 22, 2002.

Citibank To Build VMU Connection

Citibank Global Securities Services is working on its virtual matching utility interface with **Omgeo**. **John Kinnaman**, global sales director in New York for Citibank GSS, said the technology is important to have if for no other reason than as a custodian the bank should have technologies in place for when virtual matching utilities come into wider use. The technology also will serve customers that want to use Omgeo. Another reason for the link with Omgeo is the historical one-- Omgeo was the provider of institutional matching for the **Depository Trust & Clearing Corp.** He said he could not be specific about the cost of the project or when it would be complete.

The technology Citibank is implementing is from **Netik**, which also provides VMU connectivity to other firms. **Michael Dionne**, managing director for North America, said the company has had discussions with Citibank about connecting to VMUs, and Netik already built an engine to connect with **GSTPA**. He added that the connectivity Netik builds is designed to work with any VMU that might appear, but it is something of a moot point now that GSTPA is gone and Omgeo is the last one remaining. Kinnaman said that if Citibank does not need to invent technology for that purpose, it will not, as it is simpler to buy it off the shelf.

Kinnaman said the cost of setting up the connection to GSTPA, which shut down in November, will simply be written off, as will Citibank's part of the \$90 million investment to set up the company in the first place.

Bobsguide.com: Netik Expands into Eastern Europe

Netik LEADS WAY in eastern Europe, New TurboSwift clients go live on SWIFTNet FIN Service

LONDON, Jan 14 – Netik, the information automation company that specializes in providing specific information-centric STP software solutions for the securities and other financial markets announced today that TurboSwift, Netik's cost effective, accredited SWIFT gateway has been implemented by three new SWIFT members to go live on the SWIFTNet FIN service. Netik, working closely with distributor in Croatia, FL Sistems, signed Zagorska banka, Banka Brod and Splitsko-dalmatinska banka.

This latest release of TurboSwift (Version 7) also offers full compliance to the ISO15022 standards, whilst retaining ISO7775 message types for users wishing to participate in the ISO7775 Message User Group. The unique Web enabled user interface provides access to TurboSwift functions such as message entry and repair, Inquiries, routing and queuing through a standard Web Browser.

The existing 200+ TurboSwift customers will be migrating from the X25 network to SWIFTNet during 2003 and 2004 using the same proven software. Netik are also working with a number of customers to provide access to other SWIFTNet services as they become available using the gateway functionality of TurboSwift.

TurboSwift is certified for SWIFTNet FIN on the Windows and UNIX platforms and offers a unique solution to allow customers on platforms not supported by SWIFT's SWIFTNet Link software (such as HP-UX and NCR UNIX) to remain on these platforms.

Securities Industry News: Netik wins business in Croatia

Monday, January 20, 2003

SECURITIES INDUSTRY NEWS

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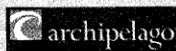
SYSTEMS & SERVICES UPDATE

Archipelago to Focus on OTCBB

The **Archipelago** ECN will remain in business but only for over-the-counter bulletin board (OTCBB) trading once the electronic communications network completes its transformation into the **ArcaEx** exchange by the end of March.

"ArcaEx will start rolling out its Nasdaq stocks by the end of January. The rollout should be completed no later than by the end of the quarter," an ArcaEx spokeswoman said. "The Archipelago ECN will continue to trade OTCBB issues."

Archipelago last year acquired GlobeNet, the first ECN to turn phone-



based OTCBB trading into a modern electronic market, with the launch of its platform Bullet-X. GlobeNet pioneered the automation of the OTCBB market when it obtained in May 2002 the Securities and Exchange Commission's approval to enter the OTCBB arena that had previously been the sole domain of market-makers.

Bullet-X allowed broker-dealers to post their limit orders anonymously and use other ECN features—such as reserves, speed and auto execution—while enhancing price improvement and best execution. This attracted the

interest of ArcaEx, which was seeking to broaden the scope of its equity products. ArcaEx also acquired GlobeNet's technology division to continue to upgrade its services.

ArcaEx is now readying to roll out Nasdaq-listed stocks to achieve its strategic goal of being a one-stop-shopping marketplace by this spring. The exchange has already registered to begin quoting and trading Nasdaq stocks as early as Jan. 21, under the Unlisted Trading Privileges (UTP) plan.

ArcaEx, which is the second-largest liquidity provider on SuperMontage, will continue to dispatch to the high-performance platform its Nasdaq orders that it cannot immediately fill. ■

—By Isabelle Clary

International Bank of Taipei Connects to SmartStream

SmartStream Technologies has been tapped by the **International Bank of Taipei** to automate the bank's Nostro reconciliation process through its Corona software.

IBT is SmartStream's first client in Taiwan and as that country's largest commercial bank, has a market capitalization

of about NT\$18 billion (\$52 billion) and close to 90 domestic branches. It was the first Taiwanese financial institution to operate overseas branches in both Hong Kong and Macau and will be using SmartStream to reconcile its cash positions with those of its foreign correspondent banks.

Corona, which SmartStream acquired through the purchase of rival Vienna-based Management Data Corp., runs on mainframe technology and has about 120 installations in the Asia/Pacific region, including Thai Farmers Bank in Thailand, Citigroup in Singapore and the Bank of Communications in China. Corona is one of two reconciliation product suites offered by SmartStream; the other runs under SmartStream's own name and operating with client/server technology is geared toward larger investment managers and custodian banks.

ADP Links BPS to ATS Risk Management System

ADP Brokerage Services, a division of Automatic Data Processing, has signed an alliance with **Advanced Trading Solutions** to offer ATS' risk management work flow and reporting tool, RiskMon, to ADP's back-office outsourcing clients on an application service provider (ASP) basis.

RiskMon, which tracks and alerts risk management and operations staff to potential risk margin exposure, will be connected with ADP's Brokerage Processing Services (BPS) back-office platform, which



will provide position and balance information. More than 100 BPS brokerage clients will be able to access RiskMon through an intranet interface that will provide real-time alerts and "what-if" functionality.

ADP officials declined to disclose the financial terms of the deal with ATS, other than to say it was a "revenue split."

Holmdel, N.J.-based ATS, which offers risk monitoring, Internet, wireless trading, quality of execution monitoring and a host of other back-office products, had previously been offering RiskMon on a client/server basis.

Reuters Linking BridgeStation Xtra and Reuters Plus for IM

Reuters Messaging, the vendor's new instant messaging service, has been integrated with **Reuters' 3000 Xtra** and **Reuters BridgeStation** desktop services, and is being integrated with **Reuters Plus**.

More than 225,000 financial professionals in 116 companies have been registered to use the free service, which was launched in

October. Companies signed up to RM include Bank One, Creditex, Deutsche Asset Management, Dresdner Kleinwort Wasserstein, LoanX and Putnam Investments.

RM allows Reuters to rival Bloomberg's mail system, a service that helps make the Bloomberg such a sticky product, notes Jean-Paul Carbonnier, an analyst with TowerGroup. In a report on retail broker workstations from market data vendors, Bloomberg's mail system currently handles about 10 million messages a day, he said. Two things are in Reuters' favor in taking on Bloomberg in this arena: "Reuters is pushing for an interoperable standard for instant messaging and is offering the technology free of charge to all institutional securities professionals," he said.

Netik Wins Croatian Clients With Swift Implementation

Netik has entered the Croatian market, implementing TurboSwift at **Zagorska banka**, **Banka Brod** and **Splitisko-dalmatinska**.

The latest release of TurboSwift—which was sold to the three Croatian banks by Netik's distributor in that market—provides full compliance with ISO 15022 standards and allows for message entry and repair, inquiries, routing and queuing through a standard Web Browser.

The existing 200 customers of TurboSwift—Netik's Swift gateway geared toward small to midsized users, will be migrating from the X25 network to SwiftNet during 2003 and 2004 using the same proven

software. Netik is also working with a number of customers to provide access to other SwiftNet services as they become available using the gateway functionality of TurboSwift, which has been supporting Swift's X25 network for 12 years.

TurboSwift is certified for SwiftNet FIN on Windows and Unix platforms and allows customers on platforms not supported by Swift's SwiftNet Link software—such as HP-UX and NCR Unix—to remain on those platforms.

Netik—which has close to 100 clients in central and Eastern Europe, and Russia, for a host of enterprise application software and data warehousing products—was the first third-party vendor to have its Swift IP gateway successfully complete the Swift certification process. The 7,000-plus Swift customers will be required to migrate to the firm's IP network by 2004 when the older forward and store x25 network is retired.

Final Batch...

Order management systems provider **Macgregor** announced last week that **Ariel Capital Management** has selected the Macgregor Financial Trading Platform (MFTP) to automate its equity trading. Chicago-based Ariel chose the portfolio management, compliance and

Macgregor FX Network (MFN) components of MFTP for deployment to 10 users...Consultancy **Cutter Associates** has hired Dr. Stephen Hale to build a London-based research capability focusing on European investment systems. Hale joins as a managing director of research and

brings knowledge of investment systems and experience as a technology manager in the United Kingdom, Europe, the Middle East and

Africa. In this role he will extend the role of Cutter's London office, which provides implementation and management consultancy to European locations, in addition to account managing the research clients. Hale was most recently with **Foreign & Colonial Management**, where he was responsible for overall technology architecture and management of package selection, implementation and integration...The **African Development Bank** (ADB) has gone live with Summit, a front-to-back-office, over-the-counter derivatives and fixed-income platform, at the Treasury and accounting groups in its Abidjan, Ivory Coast headquarters. ADB also licensed Summit's credit risk-analysis module...**SunGard Investor Accounting Systems** has gone live with a link between its InvestorOne mutual fund recordkeeping system and AdvisorCentral, an Internet portal for financial advisers. The new link to AdvisorCentral allows access to client account information for more than 200 mutual fund families supported by the InvestorOne system...**Indata**, a provider of enterprise software solutions for investment management firms, announced last week that New York City-based **Pzena Investment Management** has gone live with Indata's FIX-compliant trading functionality, provided by Precision Trading. Indata's trade order management solution...**IBSN** announced last week that it has integrated the trading systems of online brokerage firm **Scottrade** and connected them to major points of liquidity in the U.S. equities market...New York City-based **Renaissance Trading Technologies** LLC, a firm founded in 2002 by former partners and senior technology professionals from Robertson Stephens, has been granted service-bureau approval by **Nasdaq**. This allows Renaissance to connect to Nasdaq on behalf of other market participants, enabling the Renaissance Trader Workstation to go live with its first client...Outsourcing solutions provider **Bisys** is adding functionality to Hemisphere, its enhanced hedge fund technology platform, which is also the largest hedge fund administrator in Europe and the third largest globally. Bisys' h-Edge servicing platform will integrate Hemisphere's proprietary technology with new technology from **Eagle Investment Systems** to create a flexible outsourcing solution for hedge fund sponsors. ■



SUNGARD

ware solutions for investment management firms, announced last week that New York City-based **Pzena Investment Management** has gone live with Indata's FIX-compliant trading functionality, provided by Precision Trading. Indata's trade order management solution...**IBSN** announced last week that it has integrated the trading systems of online brokerage firm **Scottrade** and connected them to major points of liquidity in the U.S. equities market...New York City-based **Renaissance Trading Technologies** LLC, a firm founded in 2002 by former partners and senior technology professionals from Robertson Stephens, has been granted service-bureau approval by **Nasdaq**. This allows Renaissance to connect to Nasdaq on behalf of other market participants, enabling the Renaissance Trader Workstation to go live with its first client...Outsourcing solutions provider **Bisys** is adding functionality to Hemisphere, its enhanced hedge fund technology platform, which is also the largest hedge fund administrator in Europe and the third largest globally. Bisys' h-Edge servicing platform will integrate Hemisphere's proprietary technology with new technology from **Eagle Investment Systems** to create a flexible outsourcing solution for hedge fund sponsors. ■

NASDAQ

provider **Bisys** is adding functionality to Hemisphere, its enhanced hedge fund technology platform, which is also the largest hedge fund administrator in Europe and the third largest globally. Bisys' h-Edge servicing platform will integrate Hemisphere's proprietary technology with new technology from **Eagle Investment Systems** to create a flexible outsourcing solution for hedge fund sponsors. ■

—Compiled by Shane Kite, Mary Schroeder, John Sandman, Laura Salter and Chris Kentouris

STP Forum: Netik ventures into Eastern Europe

Netik ventures into Eastern Europe with three

January 16th 2002 - STP software vendor, **Netik** has achieved three Eastern European sales and implementations for its **Swift** gateway, TurboSwift, to go live on the SwiftNet Fin service. The sales, which were made in co-operation with FL Systems, a Netik reseller in Croatia, represent early adopters of the new IP-based network that all Swift members will migrate to during 2003 and 2004.

Zagorska Banka, Banka Brod and Splitsko-dalmatinska Banka will have complete compliance with both ISO 15022 and ISO 7775 messaging types and functionality including message entry and repair, inquiries, routing and queuing through a standard Web browser. The solution is Swift certified for both Windows and UNIX platforms.

Owen Wild

Finextra: Netik Signs Croatian Bank to TurboSwift

Netik signs Croatian banks to TurboSwift

15 January 2003 - UK-based STP software vendor Netik has signed up three Croatian banks to its TurboSwift gateway for connectivity to the SwiftNet FIN messaging service.

Netik says it worked closely with Croatian distributor FL Systems to secure the contracts with new Swift members Zagorska banka, Banka Brod and Splitsko-dalmatinska banka.

The system provides access to functions such as message entry and repair, inquiries, routing and queuing and is certified for SwiftNet FIN on both Windows and Unix platforms.

The latest release of TurboSwift also offers full compliance with the new ISO15022 securities messaging standards.

Netik says the 200+ TurboSwift customers still using the X.25 network for FIN messaging will be migrated to the new IP-based SwiftNet service during 2003 and 2004.

Global Investment Technology: wise returns and Netik to core strengths



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Netik Returns to Previous Course, Core Strengths

"The emphasis [on CiQ] took us into a new market, which was good and bad. We created a new product, but the bad was the mis-timing."

"Our core competency is the ability to listen to the top-end problems and customize product solutions to fit precisely with customer requirements."

NEW YORK — In a strategic move to refocus on its core capabilities, financial information automation solutions provider Netik Plc has reappointed its original Chief Executive Officer, John Wise, amidst a new round of venture funding. The company's focus returns to its main value proposition of integration and automation products targeted to large securities and investment institutions. When Wise stepped down as CEO early in 2002, retaining his position as a board member, Mike O'Leary succeeded him and shifted the focus on the company to CiQ, a scaled down, packaged version of its analytic and data warehouse tool, Interview. "That emphasis took us into a new market, which was good and bad," says Wise. "We created a new product, which was good, but the bad was essentially the mis-timing of focusing on Tier 2 and Tier 3 customers in the current climate."

Netik's board decided in October to refocus on its core product lines, integration application Interchange and analytic and data warehouse tool Interview, and asked Wise to resume the role of CEO to push the company back to its foundations. Interchange and Interview have traditionally represented about 70 to 80 percent of the company's revenue. While Netik will continue to market CiQ, its strategy will be a distribution approach rather than direct sales to the Tier 2 and Tier 3 markets. "Our information-centric approach to straight-through processing (STP) appeals to outsource providers to the lower investment management market," says Colin Close, Chief Information Officer of Netik. "The pressure on margins is causing STP initiatives and, more importantly, a lot of ongoing interest in outsourcing. CiQ enables these organizations to pick and choose the processes, the timing, even the service provider for outsourcing."

"The [business] drivers still have to do with efficiency and risk reduction, classic STP-type issues still relevant in a marketplace suffering [declining] asset values and margins," adds Close. "Those same pressures are causing the outsourcing proposition to gather pace. We lend significant advantages in outsourcing because we provide enabling technology for investment managers. At

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BUSINESS STRATEGIES

the moment, everybody nods with intellectual agreement about outsourcing but no one can actually bring themselves to face the risk of doing it."

Wise says Tier 1 institutions are still very interested in solutions for transaction processing, streamlining operations, and reducing operational costs and operational risk. "Netik was founded on integration and processing a transaction for its complete lifecycle with minimum human intervention," he says. With its repositioning, Netik estimates the bulk of its business, close to 80 percent, stems from Interview, Interchange and other adapter tools, and the remainder from CRQ.

The new round of funding from Advent Venture Partners strengthens Netik's standing in the market, says Wise. Although the amount of funding is undisclosed, he says it is several million dollars. "When I was asked to return the company to its roots, I said we needed an above average balance sheet, underpinned with some restructuring," he recalls. "Our core competency includes the ability to listen to the top-end problems and customize product solutions that are off the platform of a generic product, but shaped to fit precisely with customer requirements. That's what we're good at and what we've [made] money on so far, and what we intend to continue to do." □

News analysis

Funding pressure causes Netik founder to return

The pressures on financial technology

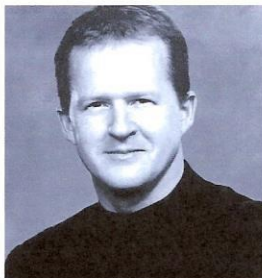
vendors in the current market are clear to all. News of companies cutting back staff is commonplace as vendors try to weather the storm, and firms that had once been looking to expand have been forced to pare back plans. The recent events at STP software vendor Netik illustrate this better than most.

Recently, news broke of a 30% staff cutback and the replacement of the firm's chief executive officer (CEO) with his predecessor after only eight months. Mike O'Leary, the now ex-CEO, was appointed in March when co-founder John Wise, who had been at the helm of the company for five years, chose to step down to spend more time with his family. O'Leary's appointment was trumpeted as the beginning of an expansion plan for a secure company with a cash surplus of \$10 million. But eight months later the company had reduced staff in sales and middle management and its recently completed third round of funding with Advent Venture Partners was conditional on Wise assuming his former role.

Though Wise says O'Leary's departure was "mutual", he adds that O'Leary was "more of a general manager" and not suited to a niche company where the CEO is required to "live, sleep and breathe STP". Netik should, however, have been aware of this as O'Leary joined the firm from the board of global software provider Misys, where he had been a director responsible for the operations of its healthcare and insurance divisions.

O'Leary, who was appointed chief executive of UK Premiership football club West Bromwich Albion in July 2002, says that he would not have been able to maintain both roles due to time constraints but would not comment further on Netik.

The firm is now keen to return the marketing focus to its core products, the top-tier investment management and reporting platform InterView and the InterChange Enterprise Application Integration tool: each account for over 40% of Netik's revenue. This is a retreat from the product focus on CiQ, a "mini" version of the



Wise: formerly at the helm for five years

InterView solution, which O'Leary saw as a way of increasing the company's client base to include middle-tier asset managers. Wise has already reduced the emphasis on CiQ, which accounts for only 15% of Netik revenues, as he believes Netik's ability to customise its core products for top-end users should be the firm's "bread and butter".

Despite relinquishing the CEO role in the spring, Wise says he never left Netik and remained on the board as a non-execu-

Pincus was invested in both the CiQ product and staff hires under O'Leary. The company has also lost several million dollars of investment across its product line in preparing for the launch of the recently-defunct Global Straight Through Processing (GSTP) virtual matching utility. In addition to lost investment in developing its products for GSTP, Netik has also lost out on up to three contracts to connect financial institutions, including Citigroup, to the GSTP Transaction Flow Manager product.

Following the management and staff restructuring at Netik, the firm intends to concentrate its efforts on achieving profitability with only single-digit growth. As a result of the reductions in staff, Wise plans to maximise the use of its 11 existing reseller agreements and increase the focus of the remaining sales staff on customer service, as "the market isn't moving quick enough to support sales teams".

Wise adds that despite the events of the last eight months and the resultant changes, "we bear no grudges against Mike — we tried something different, and [now] we're all happy to be moving on."

As the first stage of the company's return to basics, new functions for per-

"The market isn't moving fast enough to support sales teams"

● John Wise, CEO, Netik

tive. Comments at the time that wished him luck in a new venture, he now describes as tongue-in-cheek. Wise says that in March, having travelled extensively for five years, he wished to spend more time at home but insists that his return is "absolutely not" an interim role.

Netik is keen to state that its third round of funding in three years, completed on November 19 when Wise returned to work, is not a sign of financial troubles but to reassure clients using its mission-critical software that the firm is secure. Wise explains that much of the last \$15 million funding round from Advent and Warburg

formance measurement on InterView is now 80% complete, and will form part of a major product release in the first quarter of 2003. Anti-money laundering capabilities will also be added to the firm's InterLink messaging product.

Wise has completed further management changes, appointing Keith Hale and Mike Dionne as managing directors for EMEA and North America respectively, in place of one chief operating officer. Chief information officer Colin Close, who originally joined Netik as chief operating officer, continues in his current role directing product development and marketing. ●

Bobsguide: Netik receives series-C funding

Netik Receives Series-C Funding.
Co-founder Wise Returns as Chief Executive.

LONDON and NEW YORK, December 2 – Netik, the information automation company that specializes in providing specific information-centric STP software solutions for the securities and other financial markets announced today that it has raised a multi-million (third round) of funding with Advent Venture Partners to provide support for the reorganization and re-focus of the business. Netik also announced today co-founder and former CEO John Wise returns to active duty as CEO after a brief break.

John Wise resumed his position at Netik on November 19 at the request of the Netik Board when Mr. Mike O'Leary, Chairman and CEO from March 7, 2002 resigned from the Board and left the company to explore other ventures.

John Wise, who was the CEO prior to March 7, 2002 and from Netik's inception, first plans to refocus the company's direction back to its roots and consolidate around core competencies in Securities Data Warehousing and premium information delivery solutions for Tier 1 and Tier 2 institutions using Netik's leading products InterView and InterChange. Netik has a proven track record of success in solving the perennial problem of how to handle financial data from increasing numbers of sources, rationalise, transform and reconcile it, and accurately warehouse it so that it can be leveraged by the company's value-added information applications and web-portal reporting tools for primary, front-line business impact. Netik's customers include Credit Suisse, Citibank, Deutsche Bank, Provident Investment Council, PNC, Fiduciary Trust, Norges Bank, CGI.

John Wise also plans on revamping the management team starting with the appointments of Keith Hale as Managing Director Netik PLC, responsible for all the company's activities in EMEA and Mike Dionne as Managing Director Netik Inc., responsible for North America. Colin Close continues as Chief Information Officer directing product development and marketing.

Peter Baines, Partner, Advent Venture Partners in London said, "Although there are no doubts that the financial markets are in trouble, Advent Venture Partners' further investment in Netik demonstrates our on-going commitment to Netik's unique information-centric angle on the STP proposition. In these hard times, financial institutions find it to be an absolute necessity to reduce costs and the risks of their operations - but in a way that can also provide competitive advantage through the effective management and delivery of information; this is Netik's core strength. Celent have estimated that over 50% of US firms will start STP initiatives in 2003. We believe that Netik is well positioned to support this activity. The return of John Wise in an operational capacity will focus the company on core strengths and along with the new funding, will allow the company to continue with its' original STP-oriented mission."

Netik's financial information automation proposition is essentially aimed at dominating the asset management, brokerage, and custodian markets within the Securities industry. The company will also continue to sell its' leading EAI and STP solutions into the wholesale banking and insurance sectors.

John Wise, CEO comments "Netik started in 1997 and achieved over 100% annual growth for the first four consecutive years from both organic growth and acquisitions. Post 9/11 Netik has experienced a number of setbacks; however, our core products[1] remain essential for financial institutions committed to either information or transactional aspects of STP. With over 200+ customers live worldwide, Netik will focus on cross-selling our solutions to those with information and operational cost and risk issues to solve."

Wise continues, "Netik's restructure reflects our focus on core products and a return to profit. Netik is now in a strong position to continue with our original mission to highly automate the financial markets using our niche solutions."

Colin Close, CIO, explains, "Netik's InterChange product deployed at one tier 1 customer has over 400+ applications integrated for mission-critical global transaction processing and data warehouse loading. It is believed to be the largest such EAI and ETL installation. With over five years of experience in supporting such mission-critical applications in Tier 1 financial institutions, InterChange has continually been challenged to achieve ever-higher benchmarks for performance, scalability and operational control. This has allowed the product to aggressively evolve into its' current form where the technology is arguably the leading, high-performance enterprise application integration tool-set in the financial markets today".

Close continues, "Netik's InterView and InterChange product-combination provides the highest levels of performance, scalability and flexibility when compared with alternative offerings from vendors such as Mellon-Eagle. InterView is a high-end information hub product intended for enterprise-wide deployment in Tier 1 and Tier 2 institutions where branding and customization is important along side stringent technical requirements for system performance, security, scalability and computer operations control."

Finextra: Wise returns with Funding

Wise returns to Netik as Advent stumps up funding

04 December 2002 - *Financial markets software house Netik has raised a multi-million pound third round of funding with London venture capitalist Advent Venture Partners, and re-instated co-founder John Wise as chief executive officer.*

Wise returns to Netik after stepping aside in March this year to make way for former Misys man Mike O'Leary. His return to the helm follows O'Leary's sudden departure "to explore other ventures".

Netik has not released any financial details about the new funding round. Wise says the cash will be used to re-focus the business on its core markets in securities data warehousing and information delivery solutions for Tier 1 and Tier 2 institutions using Netik's InterView and InterChange products.

Wise has already begun to restructure the management team starting with the appointments of Keith Hale and Mike Dionne as managing directors for the Emea and North America respectively. Colin Close continues as chief information officer directing product development and marketing.

Speaking about his return to the business, Wise comments: "Post 9/11 Netik has experienced a number of setbacks; however, our core products remain essential for financial institutions committed to either information or transactional aspects of STP. With over 200+ customers live worldwide, Netik will focus on cross-selling our solutions to those with information and operational cost and risk issues to solve."

VentureWire: wise returns for reorganization post

NetikCo-founder Returns to CEO Post Amid Reorganization **By Emily Westhafer**

www.VentureWire.com

LONDON December 2nd-- Netik, which provides software that enables financial services firms to process securities trades, laid off 30% of its staff earlier this month, co-founder and CEO John Wise told VentureWire. Mr. Wise, who served as CEO for five years before stepping down in March, has also retaken the reins at Netik, replacing former CEO Mike O'Leary, who has left the company.

Netik has also raised an undisclosed amount of funding in its Series C round. Existing investor Advent Venture Partners was the sole investor. The proceeds from the round will be used to boost the company's balance sheet and for customer acquisitions. The company, which is profitable, will appoint Mike Horn, an adviser to Warburg Pincus, to its board.

Mr. Wise said his return as CEO was based on a need to "go back to what made the company successful." Mr. O'Leary had devoted much of his time to the CiQ product, which did not achieve predicted revenues. As a result, the company reduced its staff by 30% earlier this month and is switching its focus to the InterView and InterChange product lines, targeting tier one and tier two banking and securities institutions. The company has just under 100 employees remaining.

Mr. Wise said revenues for the CiQ product line for 2003 will range between 15% and 20% of total revenues, while the other two products will total 80%. The company has 200 customers including Citibank, Fiduciary Trust, and Norges Bank. CiQ, which is a packaged mini version of Netik's InterView product offering, provides a Web portal for investment managers in the small and mid-tier insurance and financial services market.

Netik InterView is a Web portal and information hub for investment management and reporting. InterView is intended for enterprise-wide deployment in tier one and tier two institutions. InterView's functions include Web-enabled portfolio management; analysis and inquiry; client reporting and electronic delivery; trade modeling with pre/post trade compliance monitoring; and global performance measurement and attribution.

InterChange is an enterprise application integration product that provides a metadata finite-state engine that is rules driven. InterChange is tool-based with plug-and-play components for multiple message standards including SWIFT and FIX.

In December 2001, the company raised \$15 million in its Series B round from Advent Venture Partners and Warburg Pincus. The company has raised approximately \$40 million to date.

STP Magazine: Wise returns to steer re-financed Netik

Wise Returns to steer re-financed Netik

Dec 2002/January - 2003 John Wise, who stepped down as CEO of Netik early this year, has returned to the role having secured enough additional funding from venture capitalist backer Advent Venture Partners to make the company a sustainable business for the next 12 months. Whether Netik makes any new sales in the near future or not, the multi-million cash infusion ensures it will be cashflow positive rather than cashflow negative month on month well into the summer, Wise says.

The company has made significant redundancies in recent weeks. According to Wise, going forward Netik will be about 70 people strong, split around 50/50 between London and New York. The bulk of the headcount reduction has taken place in the area of middle management, which was built up while Netik was expanding, and was more appropriate when the company was 100 plus strong. "We have kept the core businesses appropriately populated," Wise adds.

The return of Wise and the departure of former Misys man Mike O'Leary who had replaced him as Netik CEO also mark a change in strategy for the vendor. O'Leary attempted to introduce a process selling mentality, and pull in a large number of licences for the low end asset management system CIQ. "Given the economic climate this was mistimed," says Wise who remained on the Netik board during the period of O'Leary's leadership. He intends to steer Netik back towards consultative selling, and institute a "stick to the knitting" mentality. This involves re-focusing on Netiks EAI product InterChange and its data warehousing and reporting solution InterView.

Wise accepts that the market isn't "particularly brilliant" at the moment, but says there are three major deals currently on the table, all of which he believes Netik can close. In today's environment competition for what integration deals there are is especially tough, and not all of Netiks competitors have had to suffer their financial difficulties to be so publicly played out. Wise says a great deal of effort has been made during the difficult period Netik has experienced to look after its existing clients. He believes any reputational damage among them has been minimised, and points out that a large part of Netiks ongoing revenues come from maintenance.

The key to Netiks continuing stability will be setting realistic targets, Wise adds. "When your expectation is 100 per cent growth, which it was year on year, that becomes a bit ridiculous, and post 9/11 it was barking mad," he says. I have worked with venture capitalists for a long time now, and today they are typically only investing in companies with revenue lines with very conservative growth expectations. Growth of 15-20 per cent is much more realistic.

Global Investment Technology: Netik Integrates Montclair acquisition to form Netik InterView and Fiduciary Trust Customer Case Study

ENTERPRISE DATA MANAGEMENT

Netik underwent a significant shift in its strategy to concentrate on data and its management across the financial enterprise.

Fiduciary Trust Company implemented InterView after realizing the need for new technology in-house for a data warehouse and a Web presence.

Netik Adds Data Capabilities to Its Product Suite

NEW YORK — In the five years Netik Plc has offered its wide array of solutions to the financial services marketplace, the company has honed a business strategy enabling firms to achieve seamless automation of their businesses. Netik has developed a range of products and services that address the needs of securities and investment firms with their traditional focus on business processing, and more recently, on information management and the significant role it plays in end-to-end automation.

After building up capabilities in data integration, financial messaging, trade matching and reconciliation, Netik underwent a significant shift in its strategy to concentrate on data and its management across the financial enterprise. "Everything had been transaction, transaction, transaction — straight-through processing and how to get transactions through our clients' businesses as efficiently as possible, and be able to enrich and transform [processes] based on business rules," says Colin Close, Chief Information Officer at Netik. "We took a huge strategic leap when we [said] the endpoint for these transactions is really the safe assembly of data and leveraging that data into information for the purpose of reporting back to the customers of our clients."

In February, Netik acquired Montclair Financial Technology, Inc., a financial information solutions and data warehouse provider. Close says the acquisition allowed Netik to begin to formulate information-centric solutions for the various hot buttons and problems in the industry. "You can come up with an extremely valuable proposition for fixing a number of things associated with straight-through processing [STP], and with value-added

reporting and performance measurement reporting, through one solution," he says. "It's effectively an information-centric approach to the STP play."

Netik's product, InterView, is developed from incorporating Montclair's data model and data warehouse capability with Netik's own integration tool. The product links together disparate systems in the organization, addressing a common problem for many global buy-side firms. Close says InterView is an enabling solution that provides information and deploys it to customers to enhance core competencies, and also allows information to be assembled faster for reporting purposes. "In [also] enhancing straight-through processing of the transactions, there is an efficiency angle in the proposition."

Boston-based investment management firm Fiduciary Trust Company, with over \$10 billion in assets under management, implemented InterView after realizing the need for new technology in-house to better run certain functions. "There was an understanding that we had a need for a data warehouse; we did not want to depend on [our asset management] system to be a data repository," says Arthur Andon, Chief Technology Officer of Fiduciary Trust Company. "We knew we needed a Web presence to allow our clients to view their portfolio information online, 24/7, and we did not have that at that point in time."

"We also needed something that would allow us to access the data warehouse with various tools and provide a platform for future growth," adds Andon. "With a limited IT budget, we didn't want to get into a best-of-breed issue; we wanted