



Employing Eagle's Data-Centric Approach

How streamlined integration between front-, middle- and back-office solutions can increase efficiency and effectiveness for asset managers

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In today's low interest rate environment, investment management firms around the world are rapidly diversifying their strategies beyond equity, foreign exchange and fixed income to include derivatives and alternatives to help generate alpha and stay competitive. As a result, many of the leading front-office solution providers to the investment management industry have expanded their offerings to go beyond typical order management systems (OMS) to try and accommodate these needs. However, the broad range of investments, geographies and currencies, coupled with changing regulations, has exposed the need for a more comprehensive data-centric approach than front-office solutions alone can provide. In order for investment firms to appropriately capture, cleanse and utilize data across the entire enterprise, integration between front-, middle- and back-office solutions is critical.

Eagle is dedicated to helping our clients optimize the value of their front-office systems to further enrich data and information for the entire organization's benefit. Ultimately, accurate data is the foundation for a solid risk management strategy, and when there is sufficient integration between front-office and

middle- and back-office providers, data can be optimally aggregated, validated and enriched so it can be used in multiple ways – distributed for trading, compliance, accounting and reporting. This approach helps to enable buy-side portfolio managers and traders to meet regulatory and compliance requirements quickly and efficiently, and provides chief investment and risk officers with a view across their organization and the ability to spot and address exposure and risk concerns in a timely and effective manner.

Our clients often have very unique requirements and preferences based on their security types and investment styles, which results in the usage of a host of front-office products such as, for example, Blackrock® Aladdin®, Bloomberg AIM, Charles River IMS, Eze Castle OMS™, Fidessa and Linedata Longview. At Eagle, we have developed best practices for integration with the above mentioned front-office solutions and Eagle's Data Integration Services supports all of these products and more as a service offering for our secure private cloud clients.

All of the aforementioned front-office products have various features for portfolio managers to view their accounts and generate trades, and for traders to execute those trades while running pre-and post-trade compliance and portfolio management reporting. However, from a data management perspective, there is still a need and an opportunity to enrich the security master, analytical and trade information beyond what is available in these front-office systems to support the broader requirements of the middle-and back-office. Fortunately, enacting strategies that address the need for more integration between the front and back office is not an onerous task when you have the right systems in place. We have found that there are typically four main areas where greater integration between OMS and middle- and back-office technology is needed: reference data management, comprehensive asset coverage, enterprise reporting and automated enterprise integration and process management.

REFERENCE DATA MANAGEMENT

Over time, some OMS vendors have added a certain amount of data scrubbing capability into their offerings, and in some cases, strong analytical and risk capabilities, to provide better information to portfolio managers. However, often this data is not enterprise ready, and needs further information expansion for a much richer and more meaningful view into that data. This enrichment process is necessary for look-through and exposure reporting and to ensure the complexity of the security master files (SMF) is sufficient to support accounting and regulatory requirements.

Therefore, to achieve consistent reference data, otherwise known as gold copy SMF, there is a need to integrate OMSs with the various downstream systems, including accounting, compliance (both within the OMS and external systems), analytics, risk management and regulatory reporting. To address this issue, Eagle has been able to develop reference data capabilities that are able to take shell SMF data from an OMS, enrich that SMF, validate information needed for downstream systems, and send the enhanced SMF back to the OMS to complete the trading process. The data can then be further enriched and validated to ensure downstream systems requirements will be met.

Furthermore, many Eagle clients prefer to have multiple pricing sources for client reporting, where client-specific hierarchies and tolerance checks can be applied, or custodial data can be compared back to the portfolio. Additionally, using Eagle Analytics, Eagle clients have been able to perform "best analytics" validation comparing multiple vendor sources to an Eagle generated analytical profile powered by the FINCAD® analytical library. Learn how one Eagle client has leveraged this capability.

COMPREHENSIVE ASSET COVERAGE

Even the best front-office systems cannot support the broad variety of asset classes that are becoming more and more common at buy-side institutions. This goes beyond traditional equity and fixed income asset classes and derivatives to include alternatives, such as bank loans, private equity, hedge funds, fund of funds, commodities, real estate and physical assets (e.g. gold, timber, artwork, collector automobiles). However, Eagle's data management capability allows our clients to consolidate all asset classes for a comprehensive view of the full investment portfolio and its risk exposure. Further, Eagle can also help feed client-specific securities back into an analytics system to help support any additional performance and/or risk analysis. Essentially, as investment management firms broaden their asset allocation, they still need to be able to aggregate data from multiple systems to see an accurate picture of their exposure and no one front-office system can yet soundly cover all of these areas.

ENTERPRISE REPORTING

Eagle's comprehensive approach to managing data provides additional value to our clients by supporting enterprise reporting needs. Having flexible and comprehensive architecture like Eagle's that can capture, warehouse and share data across the enterprise over any time period goes beyond what most front-office systems are capable of doing. This comprehensive approach to managing data allows institutions to support customizations in a much more flexible way. Cutting-edge data management systems, like ours, enable institutions to combine analytics that may be generated by, or simply delivered by, the front-office system with analytics from any third party to provide "best-of-breed" research. Subsequently, Eagle's information delivery helps ensure that the enriched data can be delivered out to both internal and external clients in ways that are most useful to them: via hardcopy reports, a dynamic user-centric portal, or via other business intelligence tools such as the strategic alliance Eagle has established with Microstrategy®.

AUTOMATED ENTERPRISE INTEGRATION AND PROCESS MANAGEMENT

Having discussed how solutions like Eagle's data management product can help to add value and enhance the integration with front-office solutions, it's important to note that additional value can be realized when integrating data management with investment accounting and performance measurement and attribution solutions in an automated fashion. The same data that is cleansed, validated and stored by Eagle's data management product is now used to support the accounting and performance processes. As a result, changes made to information are updated automatically and in real time, across the enterprise. Many lines of business—from investment management, fund accounting, insurance accounting, alternative investments, and wealth management—can be supported, as can many different types of firms all around the world, all on one platform.

CONCLUSION

Institutions are in a much better position today with the rise of powerful front-end systems that enable them to trade multiple instruments on one platform. However, to fully leverage these capabilities and the robust and ever-growing data that resides within an organization, there is an opportunity to further integrate the front-office systems with sophisticated middle- and back-office systems like Eagle's to enrich and share data across the enterprise to meet the changing regulatory, accounting, and reporting needs required for today's leading asset management firms.

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ABOUT EAGLE INVESTMENT SYSTEMS

Eagle Investment Systems LLC enables financial Institutions to grow their assets by creating operational efficiencies and delivering award-winning solutions for data management, investment accounting, and performance measurement and attribution, supported by an unparalleled level of service. Eagle deploys its solutions via a secure private cloud, Eagle ACCESSSM, which hosts and provides on-going support of the applications and systems infrastructure, reducing complexity and risk. Eagle Investment Systems LLC is a subsidiary of BNY Mellon. Additional information is available at www.eagleinvsys.com.



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