

# WATSON WHEATLEY

## CASE STUDY



# ASSET MANAGER: RECONCILIATION AS A SERVICE

## INTRODUCTION

An emerging market asset manager with approx. \$20bn AUM (name available on request) wanted to move from performing certain middle and back office processes to having these functions provided by a third party as a service. Reconciliation was a key component and after determining that legacy outsource providers could not provide the service levels required Watson Wheatley were selected to provide Reconciliation as a Service (RaaS) by leveraging the award-winning iRecs software.

## REQUIREMENT

The client required reconciliation of daily cash, balances, dividends, positions and NAV between the internal portfolio accounting system and the external data provided by custodians.

A service was required that allowed the client to switch to process oversight and targeted remedial action rather than actually 'working the reconciliation'. A key objective of the project was to remove the need to host and maintain a software solution in house and instead rely on scheduled reports and information at both summary and detailed levels for both internal management and external auditors.

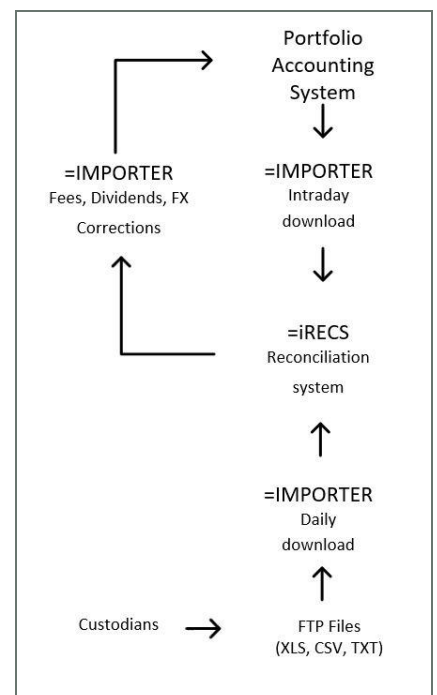
Transaction and balances matching was required to be as automated as possible with timely results provided back to the client within a strict service level agreement.

Data matching required automated match rules, often with a high level of complexity, that were agreed with the client. Some rules required tolerances, others a complex sequence of checking, uploading and analysis. Overall the solution had to be flexible enough to deal with everything from simple lookup logic to multiple stages of data enrichment.

A 'pick and mix' approach to the SLA and overall responsibilities was key and Watson Wheatley are used to providing a tailored service to clients. This included customised KPI and data delivery, differing data collection options to gather external data and the ability to customise upload files to update the portfolio accounting system.

The client required the confidence to rely on the iRecs system to provide full transparency, audit capability and allow oversight of critical exceptions in line with requirements.

- \$20bn AUM Asset Manager.
- Well-known Portfolio Management System.
- Trades, Positions, Cash Balances, NAV Reconciliation.
- Reconciliation as a Service (RaaS).



## SOLUTION

The RaaS solution provided was fully hosted, included disaster recovery, upgrades and database administration. This allowed to the client to completely remove the IT costs of having an in-house system. Client IT oversight is still in place to perform due diligence on the technology used by Watson Wheatley to provide the service.

### Bespoke SLA & Customisation

Although the instruments covered were to be relatively simple (mainly equities) the varying data standards from some custodians and the complexities of dealing in emerging markets required a great deal of expertise to make sense of the information. Watson Wheatley were used to this having previously worked with the client and in other similar environments.

### iRecs as an Engine

The existing iRecs software from Watson Wheatley was leveraged to perform the service. As the human interaction is very low iRecs is used mainly as an 'engine' to gather, import and process data, match it and then upload back to either the portfolio accounting system, Watson Wheatley users or management at the client for oversight purposes. The use of an 'engine' is designed to provide a process that is agnostic to volume and complexity which is managed only by changes to rules and data logic.

A bespoke SLA allows for items within a certain tolerance to be matched, breaks between a certain value to be addressed on a weekly basis and items over a certain threshold to require immediate investigation and where possible, resolution.

### Uploads

The ability of the system to upload data back to the portfolio accounting system was a key requirement. The iRecs application is well regarded for its data aggregation and import capabilities and this logic was reversed to extract data from the iRecs database and create a custom file to the specifications required by the upstream system.

This upload capability created a feedback loop between the two systems to allow it to self-correct issues and post dividends and FX as required by the logic specified by the client.

## BENEFITS

### Improved Match Rates

The manual match rate reduced substantially from 6% before RaaS was implemented to 1.3%. This figure continues to decrease as Watson Wheatley have both a mandate and business incentive to keep suggesting and implementing new matching logic.

### Solving Complexity

Powerful data aggregation tools have enabled data to be enriched on import and problems caused by varying data quality to be eliminated. This in turn has allowed increased match rates and efficiency when investigating data issues.

Corrections to internal data were previously performed manually. Using iRecs the differences were identified and corrections automatically uploaded to the portfolio accounting system.

Breaks have also been prioritised by expressing the issues in base currency or basis points depending on data availability.

### MI/KPI Outputs

Watson Wheatley use dashboards and alerts to monitor the daily processing of data in real time and client facing reports and dashboards are made available to provide information on client specified KPI's.

## SUMMARY

The iRecs RaaS has provided a robust and efficient process for the management of complex reconciliations and the remedial activities required.

As the improvement in the match rate suggests there is a significantly higher rate of automated matching across the board. By using heavily automated rules and clearly defined tolerances the risks from manual intervention have been virtually eliminated.

The overall cost of performing the reconciliation process has been reduced and a successful outsource has been completed. Process improvements are ongoing to allow even greater automation and control.