



CASE STUDY

Global hedge fund centralises reconciliation controls to support high-volume trading and sophisticated alternative investment strategies

A New York-based, global hedge fund with more than US\$50 billion in assets under management (AUM) is using Gresham's Control for intersystems to reconcile high-volume stock transactions, positions, cash and dividends as part of its sophisticated capital and trading operations framework offered to portfolio management teams seeking alternative investment strategies.

Working with more than 100 prime broker and custody partners, the firm needed a centralised, cloud-native reconciliation control solution that could handle complex assets and high volumes while meeting its aggressive time-to-market objectives amid constant change.

The challenge

Increased business complexity and scale were the main challenges for this hedge fund consistently trading \$300 billion or more in discretionary investments.

High volumes and complex assets

The firm transacts up to 10 million trades per day which yield as many as 20 million core trade reconciliation records per day. With large operations in Asia and Europe, the firm trades around the world and in all asset classes, including segregated accounts. The daily reconciliation process is also complicated by the firm's high number of prime broker and custodial counterparties, necessitating the loading of more than 500 files each day.

Inadequate vendor solution

The firm used a highly customised reconciliation platform from a legacy vendor that was unable to handle high volumes, complex asset classes, and corporate actions, costing the firm significant time and money, manual effort, lost opportunities and missed time-to-market goals. Faced with challenges around the aging of breaks, its operations team often did not trust the information in its vendor solution.

Manual processes

The firm used spreadsheets to track and manage month-end reconciliation to balance its corporate general ledger, various records within its legacy reconciliation solution, and onboarding results to a new reconciliation solution – essentially performing a three-way reconciliation – as well as to copy and paste exceptions. Furthermore, users needed to manually perform integrity checks on broker files, daily activity records, and day-over-day changes in positions.

Fixed data model

The incumbent solutions' fixed data model only allowed data to be presented in one way – regardless of asset class, requiring team members to continually scroll to see additional columns. Other data model limitations made it necessary for the firm to implement numerous workarounds and compensating controls.





Match approval workflows

To enhance the quality of matching, the firm needed an approval workflow to manage the process of identifying new security pairs that are not recorded in its security master.

Cloud technology

The firm also needed a big data, cloud-native solution with a high level of versatility, scalability and power to operate it directly within the firm's Amazon Web Services (AWS) environment.

The solution

Following a proof of concept (POC) running in its own provisioned AWS cloud, the firm chose Gresham's Control as its modern, centralised reconciliation solution.

Self-sufficient reconciliation

With Control, the firm was able to fully internalise its operations and ongoing configuration with greater integrity, ease and speed – eliminating the need to depend on vendors to configure or change controls. The firm is now able to respond quickly when file formats change, new sources are added, or operations requires additional controls.

Centralised integrity and control

Gresham's Control enables the firm to maintain centralised control over its cash, stock and other reconciliations. Control also provides an approval workflow which allows users to suggest a match and senior managers to review the suggested match, which is then permanently stored in the Control system upon approval.

Flexible data model

Control's flexible data model alleviates the challenge of supporting complicated investment products, such as OTC derivatives which could have hundreds of attributes, by easily adding columns and prime broker pairs.

Cloud-native solution

Control's flexible, cloud framework and deployment options allowed the firm to "bring its own cloud strategy" – a key advantage for any hedge fund offering sophisticated capital and operations infrastructures and investment strategies as its strategic mission. The cloud enables the firm to add computing capacity on demand (COD) as volumes increase to ensure internal SLAs are met, no matter the trade and position data volumes.

Results

Gresham's Control enables the firm to keep up with the high rate of change inherent in its complex, large-volume business while reducing risk, cost and manual effort.

Faster time to market

The ability to support higher volumes of disparate data, new file formats and controls accelerates the firm's time to market on launching new investment strategies and enhancing its trading and operations capabilities for portfolio management teams. Once core controls were established, operations can rapidly turn on files, build templates, create new controls, modify rules, and create customised dropdowns, reports and dashboards for each product.

Improved efficiency

Better management of aging exceptions and governance over the reconciliation process enables the firm to eliminate manual error and human errors. Determining the root cause of every exception reduces risk while improving the overall experience for operations staff through self-documenting features, an intuitive control user interface and robust reporting.