

## FOCUS ON

## TECHNOLOGY

Ras Sipko of Koger Inc, and Pavlos Christoforou of Point Nine, discuss the benefits and challenges of keeping up with changes in administration technology



### Ras Sipko

has been chief operating office of Koger Inc for the past 10 years. Ras is responsible for the global product management of all Koger's product suite. He is also responsible for the strategic development of Koger and its client base.



### Pavlos Christoforou

is the managing partner responsible for technology at Point Nine. He co-founded Point Nine in 2002 and developed its entire software architecture on a virtual platform, making Point Nine's Circle the inaugural web-delivered trading and operations platform.

**Q** **HFMWEEK (HFM): HOW CAN BETTER TECHNOLOGY HELP WITH THE CURRENT BLIZZARD OF NEW REGULATION?**

**A** **RAS SIPKO (RS):** With all changes it is important the system used reduces administrator processing times, in particular to create interfaces facilitating movement of information and to create efficiencies. This will help to reduce the burden of extra administrative tasks.

Also, the systems need to be flexible to make it easy to quickly adapt to new regulations. Currently we see there are a lot of restrictions in terms of reporting and requirements. So you need to be able to add data and create the necessary reporting.

**A** **PAVLOS CHRISTOFOROU (PC):** At Point Nine, we believe technology is the only way to respond to the raft of new regulations should fund administrators, and ultimately fund managers, wish to maintain their current margins. In April, we rolled out our T-0 Shadow NAV on our web-delivered reporting platform. Our next roll out in October has live counterparty exposure reports, essential for Ucits funds.

**Q** **HFM: WHAT TYPES OF SERVICES ARE MANAGERS AND THEIR INVESTORS ASKING FOR? HOW CAN A GOOD RISK MANAGEMENT SYSTEM HELP IN THESE VOLATILE TIMES?**

**A** **RS:** What we're finding is everybody wants real-time access to data and information – it is no good pushing through information a day later. Investors and managers need immediate access to information in order to make investment decisions, for example when trades are coming in, what money's there or what they need to sell in order to satisfy the redemption.

Also, we are seeing a lot of transparency requirements, which helps reduce risk. Having line-by-line tax lot by tax lot information within the application allows managers and investors to find out exactly what the costs are and what the sums are made up of.

Our unique selling point is the calculations we can provide on a multitude of different fund structures. This broad spectrum of information can be used to correlate different events, how they relate to the past and predict patterns for the future.

**A** **PC:** The most important aspect of that question is the latter part – what do investors demand? The market is evolving towards transparency, greater control

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and an environment where many of the operational failures at funds and their associated costs are addressed. This means live reporting, independent processes and three-way reconciliations will become indispensable. At Point Nine we believe investors and fund managers shouldn't tolerate standards that fall short of those basic requirements.

**Q** **HFM: HOW CAN TECHNOLOGY HELP WITH INCREASED REPORTING STANDARDS AND DEVELOPMENTS LIKE FORM PF?**

**A** **RS:** By tracking requirements within an application and having the correct triggers, flexibilities and tools, technology can help highlight different requirements of regulation legislation.

The triggers are built into the application and the users are notified that certain information has to be sent to the SEC. We build tools which apply across all varieties of legislation and regulation within the funds world. So when the user needs to build a certain requirement into the application, they can use existing tools and set parameters as required. It is more about having a flexible tool set allowing users in multiple locations to produce the reports required to meet the necessary standards. Technology can help quite a bit with transparency because any kind of reporting requirement created in the future can be reported on. Ultimately, I think everybody is concerned with how exactly a fund is made up and that's why there is an increase in requirement for transparency investment.

**A** **PC:** We believe the key is to maintain a flexible technology platform. Form PF is but one iteration of a raft of legislation that will impact middle office requirements. There are two key building blocks to any such reporting requirement. The first is the correct recording of the books and records of the fund. This sounds trivial, but the correct capture and reconciliation of a position is resource intensive, however, it results in a complete and accurate record of the funds positions. The second aspect is manipulating that correct portfolio to deliver reports, such as risk and compliance, ideally on a T-0 basis. Legacy system infrastructure often faces real challenges keeping up-to-date with the spectrum of reporting requirements demanded by investors and legislators.

**Q** **HFM: HOW CAN SMALLER MANAGERS AFFORD TO DEVELOP THE TECHNOLOGICAL INFRASTRUCTURE CAPABLE OF IMPROVING THEIR BUSINESS?**

# “ EXAMPLES OF IMPROVEMENTS OUR CLIENTS ARE DEMANDING ARE GREATER CONTROL OVER COMPLIANCE, AND THE ABILITY TO BE MORE TRANSPARENT ”

PAVLOS CHRISTOFOROU, POINT NINE

**A RS:** Smaller managers will naturally struggle to afford the technology needed to compete with larger managers.

Having said that, if you use our application you can connect into distributors, rather than have to build interfaces, because there are already interfaces built in. It is important to check applications are up-to-date. But, most of all, small managers need flexibility to customise locally through the tools within the application and not have to go out and pay for customisation.

**A PC:** Our solutions are focused precisely on providing a solution to this problem. Running technology as a service for our clients has tremendous benefits, as we run one system for all our clients. Fund managers who intend to maintain their own technology infrastructure should allocate a serious budget, and avoid the short-cuts that will compromise their operational standards, and ultimately deter investors.

One solution that many of our clients find appealing is the outsourcing of operations and technology to Point Nine at inception but, as they grow, moving operations in-house, whilst retaining Point Nine's web-delivered platform.

**Q HFM: HOW OFTEN SHOULD MANAGERS REVIEW THEIR TECHNOLOGY SYSTEMS? WHAT SHOULD THEY BE DOING TO ENSURE THE BEST SYSTEMS ARE IN PLACE?**

**A RS:** Every six months or yearly. What can be good one year might be of no use next year.

We are in constant contact with our clients and we attend a lot of conferences and events so we can find out what's happening in the market and see what direction our product roadmap needs to go. During an hour-long meeting with the vendor or technology provider you can gain valuable information about the market developments

Ultimately, everything is market driven. There are new requirements on the market, new products and new regulations. All parties need be sure their systems can cope.

**A PC:** We believe the answer is never. Our business model is based upon running a single system for all our fund manager clients, which we deliver via the web. We host it and carry out all systems maintenance, upgrades and product upgrades too. If there is a new derivative, we will include it for all our clients. Our blue-chip real money clients who have tried to manage

in-house IT platforms are some of the biggest advocates of this SaaS model.

**Q HFM: WHAT NEW TECHNOLOGY ADVANCES CAN YOU EXPECT IN THIS SECTOR IN THE NEXT TWELVE MONTHS?**

**A RS:** There is a lot of hype around cloud computing, but it has its advantages and disadvantages. It helps smaller fund managers because it drives costs down and gives them the ability to compete with larger players. Disadvantages include lack of control and being reliant on external parties to ensure your data is accessible 24/7.

In terms of other innovations, there is a big drive for mobile technology, although you have to be conscious of the security aspects.

**A PC:** Clients are already demanding T-0 reporting, and this is just the beginning. Other examples of improvements our clients are demanding are greater control over compliance, and the ability to be more transparent to their investors. We believe the financial technology industry is finally implementing next generation, web-delivered, products and, as a result, correctly leveraging technology. At Point Nine we are anticipating and preparing for a revolutionary shift in higher standards and applications of financial technology, driven by regulators' and investors' demands.

**Q HFM: HOW DOES POINT NINE FIT INTO THE WORLD OF FUND ADMINISTRATION?**

**A PC:** Point Nine is an independent middle office services firm. We get most of our clients from partner fund administrators who chose to bolt on (or white-label) our product to their services and thus have a more complete offering. We have a clearly defined product and transparent pricing that keeps all our fund administrator partners on a level-playing field. We deliver our service on our proprietary web-delivered Circle platform. We are a service which complements fund administrator products, and many of our partners enter into joint ventures with us because the direct and indirect technology costs of building our services in-house are substantial. ■

