

# Buy Side

## TECHNOLOGY WEEK

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### INSIDE:

#### ► EMERGING

**TRENDS:** *With more European money managers ripping out their proprietary investment technology, portfolio management and accounting system vendors are flocking to Europe to grab a piece of this rapidly developing market.*

### IN BRIEF:

- *Indata releases Attribution & Performance Examiner for IMS*
- *SunGard completes real-time clearing interface between Phase3 and a division of DTC*
- *More institutional offerings integrated under First Call's umbrella*

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## Yeager, Wood & Marshall Rolling Out DTC's TradeSuite, Interface to Impact II

New York-based investment advisor Yeager, Wood & Marshall began implementing Depository Trust Company's new affirmation/confirmation system last week. Eyeing the increasing volume of cross-border equity transactions, estimated at 200,000 today and going up to 600,000 by 2002, the DTC developed the suite of systems designed to help fund managers, brokers and custodians connect with Electronic Trade Conformation (ETC) providers and other straight-through processing (STP)-type systems.

The Yeager rollout will include an interface to

Global Investment Systems' Impact II portfolio management and accounting system. Yeager deployed the Windows-based version of Impact II late last year (see BSTW, Nov. 2, 1998).

"DTC is coming out here [in mid-January] with their TradeSuite product," says Yeager Chief Operating Officer Gordon Marchand. "GIS has written the interface to TradeSuite, so we're going to be the guinea pigs to test it out. Step one is implementing Trade Suite. Step two is testing the interface to Impact."

At \$600 million in assets under management,

*Continued on page 3*

## Robeco Group Deploys Braid Systems

Dutch investment manager Robeco Group recently completed its euro conversion using a pair of systems offered by middleware vendor Braid Systems. Robeco uses Braid's Messenger secure messaging technology and Gemini matching and reconciliation system to integrate separate applications, extend

straight-through processing capabilities and access external messaging and payment networks — including Swift for connection to custodian banks worldwide.

Formed in 1929, the Robeco group's total assets under management have grown to over \$90 billion, more than half of which rep-

resent institutional business. Robeco, a firm that traditionally built its own systems, including portfolio management, general ledger and client applications, completed its rollout of Braid's offerings late last year to keep pace with industry demands and regulatory requirements.

*Continued on page 2*

## Magten Asset Mgmt Installs GIS for Y2k

Magten Asset Management Corp. has completed installation of the Y2k-compliant version of Global Investment Systems' (GIS) Impact II portfolio management and accounting system. Officials at Magten will soon begin testing the latest flavor of GIS' software at its headquarters in New York. Impact, first installed at Magten in the early 1990s, has kept

pace with the firm's asset base, which has swelled to over \$1 billion.

Magten is an investment adviser representing some 50 to 60 high-net-worth accounts, dealing mostly in distressed securities and high-yield securities.

Basing his comments on his experience with

*Continued on page 2*

## Robeco

*Continued from front page*

"For instance, our transaction volume is increasing at 50% each year, therefore we need to increase our settlement personnel by 50% each year," says Patrick Lathouwers, a Technical Engineer at Robeco. "That's not feasible, so that's why now we are implementing these systems to avoid all of the manual matching functions."

If Robeco needed any more incentive last year it was offered in the form of rapidly approaching EMU considerations. Launching a search for a messaging and matching system in late 1997, Robeco eventually narrowed its field of candidates

to a short list including by Braid, Mint Technologies, NEON and another European-based vendor.

"There were some good vendors, but you need to buy four or five packages to implement all the systems we needed," says Lathouwers. "Gemini contained all the reconciliation and matching functionality we wanted in one package."

Core functionality was the most important factor in Robeco's choice to roll out Braid. "The system we selected had to have messaging functionality, including routing of messages, translation of messages into different formats — but also we wanted them to provide reconciliation functionality," says Lathouwers. "Gemini is very gener-

ic in matching. It can match anything you wish against something else, and that's what we didn't see in any other supplier."

For Braid, Robeco is a windfall for the vendor in the highly competitive middle-ware market where new vendors are constantly springing up.

"They are one of, if not the largest money management institution in Europe, so that has big clout," says Arron Dack, president of Braid. "It's strategic for us because they will thoroughly use the system to interoperate with a whole host of apps. They don't make short-sighted decisions, and we look forward to having them as a European showcase for exactly what we can do." ●

## Magten

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GIS over the last seven years he's spent at the firm, Magten's controller, Felix Kozodoy, does not anticipate any problems in testing the Y2k compliance of Impact II. Under his watch last year, Magten served as a beta-site for the Microsoft Windows-based version of Impact II.

"Right now, GIS is not that large, a situation we prefer," says Kozodoy. "Meaning, because Impact's client base is smaller, there is more of a rapport with the vendor, and we are able to get things taken care of — a situation I'm not so sure we would have with one of the larger vendors."

Although Magten officials are satisfied with Impact II, Kozodoy says it's a good idea to periodically re-examine what's available in the portfolio management and accounting system market.

"If there is going to be any major upgrade or change in the system, or you have a major change in your business, it's always a good idea to review your investment technology," says Kozodoy. "We handle mostly bonds and distressed securities, so from time to time we have a lot of capital changes when we work out some deals, but we've found the system works fairly well for us."

The last review Magten conducted was back in 1997 when officials at the firm were considering serving as a beta-site for GIS's Windows-based product.

"We looked at two or three other systems before making our final decision," says Kozodoy. "In the end, even though the new Impact system was going to be much more expensive, we felt we would be better off going with it at least for three years to see how it works out."

Kozodoy says, in hindsight, it turned out to be a good decision. "For the dollar, they are very competitive," says Kozodoy. "The Windows system basically did the same

thing, producing the same kind of statements. All the other systems out there were much more expensive. And it didn't seem like we would be getting anything much better."

Meanwhile, Kozodoy says there is room for improvement.

"Basically, we're always giving them wish lists," says Kozodoy. "What we're interested in now is work they are doing on foreign exchange, because we handle foreign securities. Also, there's some minor things dealing with arbitrage that we would like them to try to reconsider, and we've made that known to them." ●

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## EMERGING TRENDS

## PM&A Vendors Setting Sights Overseas

**W**ith more European money managers ripping out their proprietary investment technology, portfolio management and accounting system vendors are flocking to the Continent to grab a piece of this rapidly developing market. Planting their flags across Europe, each vendor is looking to carve out a niche for themselves in markets with little or no dominant, homegrown competition.

From Princeton Financial Services to SS&C Technologies, a significant number of U.S.-based vendors have spent the last several years establishing beachheads throughout Europe. Recognizing the trend, The Tower Group, a technology consulting firm in Newton, Mass., published a report last fall entitled, "Portfolio Management and Accounting Systems Options for European Money Managers."

According to the report, "The market for vendor-supplied portfolio management products in Europe is very diffused, with no product holding a commanding share of the market.

Furthermore, The Tower Group estimates that spending in Europe for PM&A was \$155 million in 1998, with spending expected to grow at a compound annual growth rate of 12% over the next five years, reaching \$280 million in 2003.

Acting on these developing trends, a number of vendors have well laid plans for 1999.

"Domestic vendors are faring well in Europe where the few indigenous systems are being challenged effectively by U.S. software vendors, not infrequently in concert with local consultants," says a spokesperson for Los Angeles-based Integrated Decision Systems

(IDS). The spokesperson says IDS has primarily targeted the high-end market on the Continent. When competing for mid-size business, the spokesperson says, IDS most frequently runs up against Toronto-based Financial Models. The market for the smaller shops, continues the spokesperson, is being carved up by a number of developers, including San Francisco-based Advent Software, Boston's Thomson Financial and SS&C Technologies in Windsor, Conn.

Developing multi-site management features for its European and U.S. based clients is at the top of the list for decalog. "Decalog started in Europe," says Fredda Ackerman, director of product management at decalog. "We have 26 clients in Europe and eight or so here in the United States, so we have a lot of pressure coming from our European clients."

Commenting on the push for overseas expansion, a spokesperson for Malvern, Pa.-based SunGard Trust and Custody, says, "As investors become more comfortable with international markets, and as new markets such as the European Union and Japan open up, many asset management institutions will look for multi-currency trust accounting and reporting capabilities."

Gordon Gacek, a spokesperson for Princeton, N.J.-based Princeton Financial, says, "A great deal of the functional enhancements Princeton Financial has rolled out over the last year have focused on the needs of international clients. PFS has opened offices in Sydney, Frankfurt and Brussels in the last year, and our London operation has grown dramatically." ●

## Yeager

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Yeager is certainly significant, yet considered more of a mid-sized money management firm. Regardless of its size, Yeager officials realize that if they want to continue to grow, they have to continue to invest in technology.

DTC's product line, dubbed TradeSuite, includes: Trade Message, Trade Match, Trade Settle and Trade Hub.

TradeSuite incorporates DTC's Institutional Delivery (ID) System, its Securities Instruction Database (SID) and its DTC Hub for communications, with new functionality, including matching as an alternative to the traditional confirmation/affirmation process, protocol and standard message format neutrality and flexible interfaces to Windows 95, NT and 98 software.

The initiative reflects the DTC's intention to convert its proprietary system to an open architecture that can interact with complementary, as well as competing, ETC service providers. While many of the new features are partially implemented, certain functions, such as the ability to translate between ID-formatted messages, Swift messages, the FIX execution notice and allocation instruction messages, will not be available until the end of the first quarter.

For instance, TradeMatch — a new matching system approved by the SEC on April 16 last year, could automate the comparison of investment manager allocations with broker trade confirmations, centrally at DTC, allowing the trade parties to reach early agreement on a trade.

Trade Hub also facilitates connectivity to other global networks including S.W.I.F.T.

order management systems, portfolio management systems and other ETC providers. "Those are post-trade messaging, matching, settlement and communications products all built around the principles of open architecture," explains Robert McGrail, executive vice president, Participant Services at DTC.

More importantly, the system's revamp signals the DTC's mission to prepare the industry for the conversion to T+1 (trade day plus one), which the SEC is expected to mandate as soon as the industry overcomes the Y2k hurdle.

"DTC's role is rather clear: We need to prepare for shortened settlement cycles," McGrail commented, when making the announcement in New York on Sept. 22, 1998, which was also made at Sibos, the Swift annual conference in Helsinki. ●