

Buy Side TECHNOLOGY WEEK

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UPGRADES & ENHANCEMENTS

With Core Systems in Place, T. Rowe Price's Officials Look to the Future

When T. Rowe Price first tapped DST International to supply a portfolio accounting system back in October 1996, little did IT officials at the firm know its assets and number of accounts would nearly triple by the time it was fully implemented. Neither did they know they would need to link three separate trading systems to DSTi's Global Portfolio System (GPS). Little more than two years later, T. Rowe Price officials feel they have the right pieces in place, and are looking for more.

The Baltimore, Md.-based investment manag-

er is gearing up to roll out the latest version of GPS later this quarter. The firm first installed DSTi's flagship system back in the fall of 1996 to support fixed income accounts. The remainder of T. Rowe Price's accounts were eventually converted to GPS, and by the fall last year GPS and DSTi's Open Performance measurement and attribution system were in full production supporting over \$140 billion in assets under management.

While T. Rowe Price IT officials were satisfied

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MERGERS & ACQUISITIONS

AMG to Keep Managers Funds IT Intact

In the final round of its acquisition of The Managers Funds, Boston-based asset management holding company, Affiliated Managers Group (AMG) has no plans to mandate any IT changes at the firm. In fact, aside from linking to its proprietary database, AMG

remains detached from most technology decisions made at the 13 diverse asset management affiliates nestled under its umbrella.

AMG recently announced it has entered into a definitive agreement to acquire The Managers Funds, an investment advisor to a \$1.8 billion

no-load fund family comprised of ten equity and fixed income mutual funds. AMG's hands-off policy is to provide centralized assistance to its affiliates in strategic matters, marketing, product development, and operations support, when requested. Once The

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OUTSOURCING

Wary But Still Reliant on Outsourcing

With more asset managers demanding higher levels of automation of the entire investment process, outsourcing continues to be seen as at least part of the answer. A recent KPMG survey of some leading investment management firms provides a glimpse into the current and potential use of outsourcing providers.

The most likely functions to be outsourced, according to the survey of 12 mid- to large-size firms predominantly in the United States and United Kingdom, averaging \$79 billion in managed assets, dealt with mutual fund processing—namely fund accounting, transfer agency

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AMG

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Managers Funds deal is closed, AMG's affiliates will collectively manage some \$64 billion in assets.

Thomas Hoffman, director of research at The Managers Funds, says his firm runs a variety of proprietary formulas and software written via spreadsheets for portfolio analytics. "We also use Compustat and a global version of Compustat from S&P, as well as The Bloomberg," says Hoffman. "Our accounting is done essentially at our custodian bank, which is State Street. We do a lot of accounting here, but it's all through the custodian bank, and that won't change."

AMG vice president, Seth Brennan,

says part of what was so attractive about acquiring The Managers Funds was that they do a very good job of administering the funds that they manage, a track record AMG has no plans to tinker with.

"The only holding company technology initiative we have, other than sharing information about practices and so forth, is we do have our own proprietary database that we share information back and forth with our affiliates on," says Brennan. "It's not something like a portfolio management system or anything of that nature, more of our internal network we use to exchange financial and investment performance information."

Brennan says the database enables necessary communication between affiliates,

"since they can just key things in to our database rather than exchanging flurries of paper back and forth at the end of every quarter."

Although AMG will not hand down any IT mandates, it offers a wealth of buy side technology expertise among the ranks of its various affiliates.

"They will have access to the technology officers of our other affiliates as well as our operations folks to inquire and discuss issues and best practices across different segments of the asset management industry," says Brennan. "In the event they have to replace or upgrade something, we would certainly make that investment but we don't anticipate any real needs on that front." ●

Outsourcing

Continued from front page

and custody. Of those surveyed, some 70 percent of firms offering mutual funds outsourced their mutual fund accounting, and approximately half of them outsourced transfer agency.

While the recently released report entitled, "Industry Survey: Investment Manager Operational Needs—Focus on Straight-Through-Processing," shows that currently few processes are commonly outsourced, almost all investment managers outsource custody for their own products. In addition, almost all of those same firms rely on multiple custodians selected by institutional and high-net-worth clients.

The current market for custodians is rather large, reflected by the 10 to 350 custodians that respondents of the survey deal with on a regular basis.

While the report indicates most asset managers depend upon some level of outsourcing, they remain extremely wary of the services. According to the report, many respondents would not consider outsourcing fund accounting and performance reporting for institutional clients, citing "the importance of customer interaction and the

perceived high risk affecting reputation in the event of error."

Not surprisingly, reducing expenditures is the likely reason most IT managers opt for outsourcing systems. The report, however, also reflects many participants' dissatisfaction with some vendor's inability to lower costs. In fact, according to the survey, "outsourcing may not lower costs, particularly in cases where the investment manager is more internally automated than the custodian/fund accountant."

Slow reporting and performance measurement turnaround, lack of customization features, concerns over fiduciary responsibility to clients and the perception of less control over the processes are all daily worries for IT managers that deal with outsourcing providers.

Compounding the lack of confidence participants had in their vendors, most said "there appears to be relatively few reliable potential outsourcing providers that asset managers would feel comfortable with, i.e., the provider universe is considered to be thin."

Senior IT staff at the following firms were interviewed for the survey: Aeltus Investment Management; Brinson Partners/SBC Brinson; Grantham, Mayo Van Otterloo/GMO Woolley; Lazard Freres

Asset Management; MLC; Montgomery Asset Management; Prudential Portfolio Managers; Rothschild Asset Management; Schroder Capital Management International; Scudder Kemper Investments; USAA Investment Management; and Warburg Pincus Asset Management. ●





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T. Rowe Price Eyeing Merrin's FIX Connection

In the midst of a larger ongoing technology initiative, T. Rowe Price is expressing interest in FIX connectivity through Merrin Financial Systems' trading platform. The Baltimore, Md.-based investment manager is one of the first Merrin clients to publicly express interest in the FIX connectivity following the recent deal the vendor inked with Trinitech Systems to provide exclusive FIX connectivity to Merrin's global client base via Trinitech's NYFIX network.

The deal comes as no big surprise, as Merrin has been trying to phase out its proprietary InterMarket Trading Network communications protocol and X.25 network. Merrin's ITN software has been rewritten for FIX, redubbed Merrin Electronic Trading (MET) and remains an integral part of Merrin's trade order management applications suite.

"We are not currently using the Trinitech system, but right now are in negotiations with Merrin and Trinitech to go in that direction," says Ken Wright, T. Rowe Price's head of trading technology. "We're still using the Merrin ITN network, but it's our direction to go off on their FIX product as soon as we can get the lines

in here." T. Rowe Price was one of the first firms to roll out the Sybase-version of the Merrin Financial Trading Platform (MFTP) last year, migrating from the Btrieve-based version of Merrin's system.

A significant part of Merrin's core client base, mostly money managers and institutional investment firms, currently use ITN to electronically route orders to brokers. As part of the agreement, Trinitech will provide a migration path for Merrin's current clients and brokers to move to Trinitech's NYFIX network.

"This is definitely the direction we want to be headed in because it makes everything FIX compliant," says Wright. "We are looking to FIX as being our connectivity vehicle for trade communication. We like the system, in fact it was a system we hoped would come and we're pretty pleased with it, but we have no practical experience with it yet."

Wright adds: "I think it is a good system because Trinitech is a proven product, and it's better than having Merrin try to reinvent the wheel on this one." ●

Future

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with GPS and saw it as the foundation of the firm's rapidly evolving IT infrastructure, they saw definite room for improvement and weren't shy about asking their vendor for it.

"Some of the new developments that DSTi has been asked to work on for us, which were incorporated into the new release, include bulk asset distribution and improved corporate action processing," says T. Rowe Price Investment Technology Vice President, Dave Seibert. T. Rowe Price plans to have the new flavor of GPS online by mid-year.

Meanwhile, a DSTi spokesperson says development is underway to enhance the vendor's performance measurement tool, outfitting it with the necessary functionality to eventually replace a mutual fund performance measurement application at T. Rowe Price.

Enhancing core accounting capabilities were not the only things on the minds of T. Rowe Price officials. "We've also asked

them to upgrade several of our interfaces to our trading systems based on new feature functions that are available on the trading system," says Seibert.

Last year while T. Rowe Price was bringing GPS and Open Performance live, the firm was simultaneously installing the Sybase version of the Merrin Financial Trading Platform. T. Rowe Price was one of the first firms to migrate from the Btrieve-based version of MFTP (See BSTW Nov. 30, 1998). Merrin will now look to link GPS not only to MFTP, but Global Trade Technologies' Versailles which handles fixed income trading, and Leading Edge Technologies which the firm uses to trade mortgage-backed securities.

Piece by piece, T. Rowe is slowly ripping out and replacing whole chunks of its IT infrastructure. "There's an internal analytic system for equities, feeds to some of our core mainframe systems for post-trade compliance, employee trade tracking, hooks into our old mutual fund performance system - these are all just some of the systems on the block for replacement

in 1999 and 2000," says Seibert.

"We haven't even depended upon GPS for compliance," Seibert adds. "We are, however, looking at several packages to potentially get rid of our homegrown system and go with an industry standard."

At its heart, though, T. Rowe Price's investment support strategy revolves around its core accounting capabilities. "The decision was made to bring in GPS because we needed a foundation of robust record keeping that was rules driven, and offered the flexibility for us to grow with it," says Seibert. "At the same time, we upgraded our trading platforms. With the foundation technology to build on in place, the next thing we'll look at is upgrading the analytics and support systems that surround that foundation."

T. Rowe Price Associates is one of the nation's leading providers of no-load mutual funds for individual investors and corporate retirement programs. T. Rowe Price and its affiliates manage over \$147.8 billion in assets for more than six million individual and institutional accounts. ●