



Leading Hedge Fund Firm Reaps Rewards from Operational Efficiency

Shaping STPSM



Patrick Finn, Head of Middle Office, BlueCrest Capital Management, outlines the firm's migration to an automated post-trade/pre-settlement environment using Omgeo Central Trade ManagerSM (Omgeo CTM) Allocation Interface.

Introduction

BlueCrest is an alternative asset management firm based in London with funds under management of \$7bn. BlueCrest's continued expansion has seen staff levels rise to 110, up from 77 in December 2004, which has resulted in an increase in trading volumes across all product types. This, combined with the continued diversification of trading strategies, meant that it was becoming increasingly important that back and middle office operations were keeping pace with these front office developments.



The Challenge

In 2005, a review of the firm's back office systems was conducted. One of the main conclusions from this exercise was that the current manual processes that were being employed in the post-trade/pre-settlement space should be automated. *Omgeo CTM Allocation Interface* option was chosen as the preferred solution as it is a flexible, easy-to-use web-based application that allows post-trade/pre-settlement information to be captured and communicated electronically. Another key factor in choosing *Omgeo CTM* was the extensive list of executing brokers already using *Omgeo's OASYS Global*. The main objective in implementing *Omgeo CTM* was the electronic allocation, matching and confirmation of trades to increase efficiency and enable the operations team to identify trade discrepancies much earlier in the trade life-cycle.

Implementation

Within eight days of signing up to the service, the Allocation Interface was installed and fully integrated into BlueCrest's business. After three weeks, five funds were live and two funds have been added since then. The process of adding new funds is simple as the Allocation Interface is wholly scalable. Also, new standing settlement instructions (SSIs) take just a few days to implement via Omgeo's SSI database, *ALERT*, while removing the need to send communication of changes directly to a large number of executing brokers. The central database of fund information held by Omgeo allows fund account information to be easily added to trades.

Omgeo's integration and training teams proved to be a valuable resource throughout the implementation process, providing all BlueCrest staff with the extra support and guidance they needed. In addition, Omgeo worked closely with BlueCrest's executing brokers to ensure that the system was set up correctly on the Omgeo host and that trades could pass through without any hitches.

The Results—instant return on investment

Omgeo CTM Allocation Interface has provided a wide range of tangible benefits to BlueCrest's business, both in the front and back office.

Back office benefits are highly quantifiable. Prior to installation, the majority of equity trades were being confirmed in 24 hours (T+1), whereas now 95 percent of trades are being confirmed within hours (T+0). In addition, the central matching facility offered through *Omgeo CTM Allocation Interface* has enabled middle office staff to significantly improve exception management. This is the identification and resolution of trade discrepancies as they arise to allow trade confirmation which in turn has reduced the number of failed trades.

THE PROMISE OF STRAIGHT THROUGH PROCESSING



04-03/BEN/AMER

www.omgeo.com

A DTCC/Thomson Financial Company



Shaping STPSM

Americas

Omgeo LLC
22 Thomson Place
Boston, MA 02210
Tel: 1.866.49.OMGEO
askomgeoamerica@omgeo.com

Europe

Omgeo Ltd
Aldgate House
33 Aldgate High Street
London
EC3N 1DL
Tel: 44.20.7369.7777
askomgeoeuropa@omgeo.com

Asia-Pacific

Omgeo PLC Ltd
80 Robinson Road
#15-00 Singapore
068898
Tel: 65.6323.1238
askomgeoasia@omgeo.com

Japan

Omgeo K.K.
Palaceside Building,
9th Floor
1-1-1, Hitotsubashi
Chiyoda-ku Tokyo, 100-003
Tel: 81.3.5218.6621
askomgeojapan@omgeo.com

The solution has enabled BlueCrest to bring allocation and confirmation activities in-house, removing the need for paper-based confirmations sitting at a fund administrator. Additionally, the ability to see trades being alleged against them direct from the broker electronically significantly reduces the risk of an executed trade remaining unnoticed for any length of time.

Also, electronic trade allocations have freed up front office resources enabling traders to focus on delivering fund performance rather than workflow. As it is now the middle office which manages trade allocations and confirmations, any trade exceptions can be identified and resolved as soon as possible.

“Overall, *Omgeo CTM Allocation Interface* has significantly reduced the firm’s operational risk through the shortening of the timeframe to confirm trades to T+0 with counterparties, therefore reducing operational and trading risk,” said Patrick Finn, “Finally, automating the post-trade process has increased the overall productivity of our employees, while the resulting efficiencies have improved the working relationship between our front, middle and back office staff and with that of our prime brokers and counterparties, as fewer failed trades are occurring.”

The Future

Now, as a result of the benefits delivered by *Omgeo CTM Allocation Interface*, BlueCrest has decided to implement *Omgeo CTM* through its Message Translation Interface (MTI). Through this connection, client files are mapped to, and from, *Omgeo CTM MTI* and trade details are processed in batch mode via Internet connectivity. This is made possible through BlueCrest’s use of Beauchamp’s Trade execution system which has a certified interface to *Omgeo CTM*. It is expected that this system will deliver the firm even greater efficiencies as allocations will no longer be entered manually, thereby enabling a true exception-based environment. As BlueCrest’s business continues to grow, this set-up will provide the firm with a more scalable solution, thereby enabling greater volumes to be managed. This will include program trades that have, historically, been confirmed by fax via the message translation interface, now, allocations will be populated into *Omgeo CTM* directly from BlueCrest’s internal trade capture system.

As the firm already uses *Omgeo CTM Allocation Interface*, the migration to *Omgeo’s CTM MTI* has been straight forward and was in place by early October 2005.

Summing-up the value of implementing electronic post-trade/pre-settlement trade management, Patrick Finn, Head Middle Office, BlueCrest said,

“In an age where operational efficiency is key, having one automated solution that can send and confirm trade messages within hours rather than days, is vital for any business to stay ahead, especially ours.”

###