

Quoniam and Omgeo

Reducing risks by automating post-trade processes



Quoniam Asset Management implemented Omgeo Central Trade ManagerSM (Omgeo CTM) to process trades more quickly, easily and securely. Ingo Purwien, managing partner at Quoniam, outlines the path to achieving greater efficiency. His key objective was to increase the level of automation and minimize operational risk.

Quoniam Asset Management (formerly Union PanAgora) is one of the leading providers of quantitative asset management. The company focuses on creating and implementing quantitative portfolio management strategies for institutional investors. Quoniam manages global equities, bonds, balanced/TAA and hedge fund portfolios. Approximately 40% of volumes are in equities and 60% in bonds. Assets managed total EUR 8.7 billion (Dec 08) in more than 100 institutional mandates. Up to 2,000 trades are executed per day. Quoniam currently works with around 100 brokers and 25 custodian banks.

Demands on the middle office from quantitative portfolio approaches

Quantitative portfolio approaches are particularly challenging from an operational perspective. A vast number of transactions need to be processed within relatively few peak periods, because the number of individual positions in the portfolios is significantly higher. Furthermore, greater amounts of data need to be evaluated. Depending on the investment strategy pursued, the number of securities within a single portfolio managed by Quoniam could range from 120 to 500.

“We currently process up to 2,000 trades per day through Omgeo CTM. If orders match, no more manual intervention of any kind is needed. After broker confirmations are received it takes only three minutes until all Swift notifications are sent to custodians.”

Ingo Purwien, managing partner of Quoniam Asset Management

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Omgeo CTM has helped Quoniam handle rapidly growing volumes while keeping middle office headcount almost constant. In particular, it was Omgeo CTM that enabled Quoniam to shorten trading periods in portfolio management. As a result Quoniam is able to implement new portfolios faster and at a lower cost for their investors.

“Within five weeks Omgeo CTM has been implemented seamlessly into our proprietary Order Management System. We were pleasantly surprised with how easy the implementation was.”

Ingo Purwien, managing partner of Quoniam Asset Management

By linking up Omgeo CTM to the Order Management System (OMS) and thereby automating processes, trading times were cut significantly. Quoniam today trades on a daily basis and primarily executes basket trades that entail high processing demands. The key challenge is that broker confirmations for basket trades do not arrive before 5pm. Processing times for daily confirmations are therefore very tight. The new process means that Quoniam now boasts a same-day affirmation ratio of 99%, even for basket trades. Exceptions are extremely rare.



99% of trades match automatically

An initial matching ratio of 88% meant that more than 200 transactions out of a daily 2,000 trades were still being processed manually, which was not acceptable for Quoniam. As a result, processes were fine-tuned with each broker whilst formats, fields and entry variants were precisely defined. Accurate data from brokers is crucial for achieving high matching rates. Most of Quoniam's brokers generate confirmations automatically in Omgeo OASYS GlobalSM, keeping error rates to an absolute minimum. The matching ratio now stands at more than 99%.

A look back

In the early days, Quoniam adjusted all portfolios just once a month. Due to these individual peaks, it was very difficult to plan resources and staffing. When communicating with high-volume brokers, Quoniam initially used a self-defined Microsoft Excel format. This process had several drawbacks: brokers filled in the Excel formats manually, generating frequent errors in confirmations. Additionally, sending out the legally required fax confirmations was very time-consuming. Settlement instructions were delivered separately, complicating and slowing down the process even further. When the number of claims increased due to delayed or incorrect instructions, Quoniam started to look for a new solution.

The decision-making process

Quoniam sends settlement notifications to custodians via Swift. For that reason, Quoniam initially thought of using Swift formats when communicating with brokers. But preliminary tests with Swift MT515 showed clearly that a large number of brokers either did not support the format or only entered data manually. This made communication via Swift either impossible or too prone to errors. In addition, the Standing Settlement and Account Instructions (SSI) were either incomplete or not sent at all. As a result, Swift MT515 was rejected.

A survey of key brokers clearly showed that they preferred to communicate via Omgeo as most of them already used OASYS Global for their back office processes. Thus Quoniam very quickly decided in favour of Omgeo CTM, which met all requirements:

- Brokers can generate their confirmations automatically in a clear and secure format.
- The quality of the settlement instructions automatically provided by the brokers does not require any intervention from Quoniam before sending the Swift MT541/543 notifications to custodians.
- Omgeo CTM could be seamlessly integrated into the proprietary OMS. Additionally, order approvals, amendments or deletions could be managed through the OMS.

“Our only alternative to Omgeo CTM for the matching process was to take the risk of creating a proprietary system and receiving notifications via Swift. I am convinced that we have chosen by far the best solution with Omgeo CTM.”

Ingo Purwien, managing partner of Quoniam Asset Management

Simple fund accounting

Quoniam has outsourced its fund accounting processes. However, today “matched” trades from Omgeo CTM are automatically sent to the external fund accounting system. Due to the high quality of data, transactions can be booked directly without any additional intervention.

“We have markedly increased our capacity thanks to Omgeo CTM. It has allowed us to trade on a daily rather than monthly basis, considerably cutting the impact of our trades on the market. At the same time, operational risk has been much reduced.”

Ingo Purwien, managing partner of Quoniam Asset Management



About Quoniam Asset Management

Quoniam Asset Management GmbH (previously Union PanAgora), which was established in 1999, is an independently operated asset management company based in Germany. The company concentrates exclusively on quantitative portfolio management for institutional investors. Quoniam manages global equities, bonds, balanced/ TAA and hedge fund portfolios. At the end of March 2009, the company was managing a volume of EUR 8.5 billion in 100 institutional mandates.

About Omgeo

At Omgeo, we are the operations experts, automating trade lifecycle events between investment managers, broker/dealers and custodian banks. We enable 6,500 clients and 80 technology partners in 52 countries around the world to seamlessly connect and interoperate. By automating and streamlining post-trade operations, we enable clients to accelerate the clearing and settlement of trades, and better manage and reduce their counterparty and credit risk. Our strength lies with our global community and our ability to adapt our solutions to enable clients to realize clear returns on their investment strategies, while responding to changing market and regulatory conditions. Across borders, asset classes, and trade lifecycles, Omgeo is the global standard for operational efficiency across the investment industry. Formed in 2001, Omgeo is jointly owned by the DTCC and Thomson Reuters. For more information, please visit www.omgeo.com.

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