



40|86 Advisors Cuts Costs of Fixed-Income Trade Processing with Omgeo OASYSSM

Fewer Trade Exceptions and Failures Make Firm More Efficient

Shaping STPSM

40|86 Advisors, Inc., based in Carmel, Indiana, is a leading fixed-income investment advisor with over \$26.2 billion in both taxable and tax-exempt assets under management. 40|86 Advisors serves a wide variety of market segments including: Taft-Hartley plans, foundations and endowments, insurance companies, public funds, corporate pensions, religious organizations, healthcare organizations, educational institutions and mutual funds. For its actively managed fixed-income portfolios, the company performs between 500 and 2,000 block trades per month, and each block trade is allocated to between five and 35 portfolios.

Challenge

Before adopting Omgeo's solutions, 40|86 Advisors' operations and information systems management teams sought to reduce inefficiencies associated with their reliance on manual trade-processing methods. 40|86's employees were verbally communicating fixed-income and equity trade allocation details to brokers over the phone, and then dealing with subsequent communications inaccuracies. As a result of the company's reliance on these manual processes, 40|86's operating costs were significant. Back-office employees were spending too much of their time processing trades, resolving errors and dealing with failed trades.

Omgeo Solution

In the autumn of 1998, as part of its ongoing straight through processing (STP) initiative, 40|86 eliminated its reliance on time-consuming, manual processes and adopted Omgeo OASYSSM, the electronic allocation service for U.S.-domestic securities trades. 40|86 was able to easily build an automated link between OASYS and its proprietary order management system. The company uses OASYS to electronically communicate trade breakdowns for the full range of instrument types including U.S. Treasury securities, federal-agency securities, corporate bonds, mortgage-backed securities and municipal bonds.

"OASYS has given us a huge increase in our level of efficiency," says John Huybers, Assistant Vice President, Information Systems at 40|86 Advisors. "We adopted the service because we could see it was a proven solution that could support the full gamut of instrument types that we trade."

Benefits

Nearly all of 40|86's trades processed via OASYS are for fixed-income instruments. The key benefits that OASYS has delivered for 40|86 are:

Lower Operating Costs. Today the company is reaping economic benefits because its back-office employees can communicate fixed-income trade allocations in an automated manner. Before partnering with Omgeo, 40|86 required six full-time equivalents (FTEs) to process its trades. As a result of its implementation of OASYS, 40|86 was able to re-deploy two of those six FTEs to other areas of the company such as investment research and portfolio analytics. In other words, the company was able to **reduce its trade-processing labor costs by approximately 33 percent** as a result of employee redeployments.

"By partnering with Omgeo, we've significantly reduced operating expenses and increased the productivity of our employees," notes John Huybers. "Instead of spending their time tediously dictating trade details over the phone and resolving manual errors, they can concentrate on more value-added activities."



THE PROMISE OF STRAIGHT THROUGH PROCESSING



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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
Londres
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

Fewer Trade Exceptions and Trade Failures. In addition to reducing manual processes, another reason that OASYS was adopted was to decrease the number of problematic trades. As a result of implementing the service, 40|86 has enjoyed:

- > **A 65 percent reduction in the number of trade exceptions**
- > **A 50 percent reduction in the number of trade failures**

“Dealing with trade exceptions used to be a big chore for us. OASYS is helping us spend a lot less time dealing with problem trades,” says John Tison, 2nd Vice President, Investment Operations at 40|86 Advisors. “Also, a decline in the number of failed trades is good for the overall health of our business. When trades fail, investment-return opportunities can be lost or reduced. So we’ve been excited to see a large reduction in the number of trade failures.”

Better Constituent Relationships. For 40|86’s operations and information systems teams, another important byproduct of the adoption of OASYS has been better relationships with their many constituent groups such as broker/dealers, custodian banks and other departments within 40|86. Because OASYS allows for automated trade communication with greatly improved accuracy, the various parties to a trade enjoy higher levels of automation as well.

“OASYS has been mutually beneficial for us and our trading partners,” says John Tison. “The reduction in manual processes has allowed us to enhance our reputation as a reliable and efficient trading partner.”

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