



## Storebrand Investments – leading the way for automation for Asset Managers in Norway

Shaping STP<sup>SM</sup>



*Ellen Bratsberg explains how Storebrand Investments is leading the way when it comes to STP – Ellen says implementation of Omgeo’s solutions resulted in a clear ROI through the decrease in failed trades, increased scalability and an exciting new business opportunity.*

### Driving business forward through STP

We were in a situation where our back office communications with brokers, which were entirely manual from the reception of trade data to affirmation, were having an adverse affect on our business. The manual tasks these back office communications demanded were creating unnecessary costs – especially considering the solutions available – and the operational risk attached to manual processing meant our ability to grow our assets under management was stunted. When you’ve got to decipher faxes and every trade has to be checked to ensure the data is correct, the back office is a centre of arduous administrative tasks. We could see we were missing out on rapid growth in our business and we had to find a way of maximising our potential.



How did we deal with this? Well, we launched an internal project in 2002 to reduce manual routines, which obviously meant Straight Through Processing (STP) was the best solution. STP would improve back office processes for equity and debt instruments and we chose Omgeo’s services to do this. Our research revealed that Omgeo has an in depth understanding of global market trends so we felt confident they would fully understand the intricacies of the project and, ultimately, we had to be confident they would deliver their promise. We all know that implementing STP projects can be a painful process and we wanted to ensure it would be as trouble-free as possible.

Why Omgeo? We had various objectives to fulfil, which are in themselves huge issues so I’ll tell you about each in turn, as they each have a business case attached to them. Firstly, we wanted to increase the scalability in our back office operations. In real terms, we wanted to make sure that the solution was going to work as effectively as when the issue – coping with higher trade volumes – continued to increase in importance and trading volumes continued to grow. So, the increase in assets under management we were expecting meant our processing solutions had to be capable of handling high equity and debt trading volumes accurately, no matter how large they became in the future.

A big issue for us was making sure the data we were working with was reliable and accurate. Since faxes and telexes had meant that the data we were exchanging with our brokers and custodians wasn’t always clear and could result in delayed trades or even failed trades, it was really important to us that the solution we implemented was astute at dealing with the exchange of data. *Omgeo ALERT<sup>SM</sup>* is a central database used by a community of brokers, investment managers and custodians, so this meant all our settlement instructions and account information would be accurate.

An objective that goes hand in hand with this is increasing efficiency. What did we mean by this? Was it confirming trades faster? Was it reaching T+1? Was it increasing our SDA rates? How would we measure the increase in efficiency? Well, we knew we would increase our SDA rates through implementing STP projects – this was a given. Therefore, as a result, we would confirm trades faster. The solutions would help us to move towards exceptions only processing, this was also a given, since we wouldn’t have back office team members who were simply checking faxes anymore. The increase in efficiency would be quantifiable to us through the amount of time spent on processing a single trade and also the number of trades we processed. So it follows that we would achieve an increase in the number of trades processed.

We also had a particular requirement for the service provider we chose: that the provider be familiar with SimCorp who had delivered our Portfolio Management System. SimCorp was already an Omgeo STP Partner so the pre-existing working relationship between them helped us to hook up to the solutions very quickly. Also, it meant we did not have to go through the arduous task of handling multiple relationships with vendors during implementation. This was a great relief for us since, as we’re all aware, the implementation process can be pretty painful.

THE PROMISE OF STRAIGHT THROUGH PROCESSING





## Time for change

We are pleased to say that we were the first ever Asset Management firms in Norway to automate our back office processes for equity and fixed income instruments. It means that the benefits we can see to our business are clear and we're leading the way for the rest of our market to follow suit and we look forward to seeing even greater benefits to our business as part of an automated community.

We implemented three Omgeo solutions: *Omgeo OASYS Global*<sup>SM(1)</sup>, *Omgeo ALERT*<sup>SM(2)</sup> and *Omgeo AutoMatch*<sup>SM(3)</sup>. Additionally, *Omgeo Benchmarks*<sup>SM(4)</sup> was installed to allow us to measure our own performance and our brokers' so we are making the right decisions when it comes to the sell side.

We also combined forces with 50 of our key brokers at the same time as implementing these solutions. We worked together to install *OASYS Global* by 30 June 2002 for all of these brokers and began to create an automated community in our market.

## The right result

Omgeo's solutions have provided our business with a clear ROI. We have seen this in terms of economic return, reduced operational risk and improved scalability. We have also started to consider an exciting new business opportunity because of these STP solutions which I will tell you about later.

So, what is the economic return for us as a result of Omgeo's solutions? Well, the number of failed trades has significantly reduced which means our trading revenue is greater. We have processed 24,000 equity trades since June 2002 and 1,300 fixed income trades since January 2003. These include 16,600 cross border and 8,700 domestic trades. An example of the amount of time we spend on processing an equity or debt trade in the back office shows how many more trades we are now able to process correctly: before, the back office execution of program trades took three days' work – they are now executed in just two hours. We can say that we have reduced the time spent on any given trade by 80% on average.

Furthermore, we have less heads working to manually process trades in the back office now, which means more time spent on processing only exceptions. Correct trades used to take us around 4 minutes to affirm and incorrect trades even longer. Now matched and correct equity and debt trades are instantaneous. This is so important to our back office processes – what a relief not to have to check every single trade anymore!

Aside from the core business benefits as a result of automation, we can't exaggerate the transformation we've seen in our working environment in the back office. It had been beset by manual processes, however, these days the back office is an automated environment where we can take on any number of trades.

## Storebrand Investments Operations (SIO)

I mentioned an exciting new business opportunity I was going to expand on. Well, we believe we have achieved a huge competitive advantage having implemented Omgeo's solutions. This new opportunity is called Storebrand Investments Operations and we have plans in place already to take on trade and settlement operations for other Portfolio Managers using our new solutions. Therefore, we can become an outsourcer and offer a scalable solution and, hopefully, create our own community of automated firms.

This is the principal ROI we are looking to achieve – a new business venture means a new source of revenue for us, not to mention a fresh position in the Nordic region – we are pleased to see ourselves as one of the most forward thinking institutions in Norway.

2. Enables investment managers, brokers and custodians to automatically send and receive updated account information and settlement instructions

3. Allows automation of the trade matching service via the Portfolio Managed Systems

4. A suite of analytical services that provides accurate, impartial statistics and management information that enable firms to assess, measure and manage their operational trading efficiencies



## Shaping STP<sup>SM</sup>

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## Onward to central matching

So what are our future plans when it comes to maximising our revenue potential and improving on the benefits we have already seen in our back office processes? We're certainly not planning to stand still, as much as local matching and automating the allocations process has helped our business. We are evaluating a migration to *Omgeo Central Trade Manager<sup>SM</sup>*. An evolution towards central matching is the ultimate goal for our business in terms of STP because we believe it would enable trading and settlement partners, including up to 6 custodian banks, to manage the post-execution processing of trades in a much more efficient environment.

What difference does it make if we're locally matched rather than centrally? Well, *Omgeo CTM* would offer us the ability to correspond with all counterparties through the same, centralised system of communication and this covers all aspects of our post trade information exchange. There are many benefits, as far as we're concerned, that would aid our business immensely.

Migrating to *Omgeo CTM* will help us manage our data more reliably because settlement instructions and trade data can be enriched real time – imagine the time we could save! The non-sequential processing of trades means that we won't have to wait for our counterparties before we take our steps to process the trade. What's more, the migration strategy Omgeo have in place means that we don't have to lose connectivity with our community of brokers, custodians or clearing agents during implementation.

**For more information on Omgeo's Intelligent Trade Management solutions please visit [www.omgeo.com](http://www.omgeo.com)**

## Company Abstract

*Storebrand Investments is one of the largest asset managers in Norway, employing 145 people and having over NOK140 billion (Euros16billion) in assets under management. The company has offices in Oslo, Paris, London and Stockholm. Storebrand Investments markets more than 50 equity and fixed income mutual funds and is the third largest mutual fund manager in the Norwegian market.*

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