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**PROSPECTS FOR GROWTH AND NEW WAVE OF REGULATION TO DELIVER
“ONE-TWO PUNCH” FOR FUND ADMINISTRATION IN 2011**

***Confluence Predicts Transformation of Hedge Fund and Mutual Fund Back
Offices as Technology Becomes a Prerequisite for Success***

(PITTSBURGH, PA – January 5, 2011) A new wave of global regulatory reform, combined with the prospects for renewed growth in the investment management industry, will deliver a “one-two punch” for fund administrators in 2011, according to Confluence, the industry’s leading provider of automated data management solutions. Confluence believes that this will lead to transformation of the back office, with fund administrators investing in their IT infrastructure to keep up with increased demands.

The changes will impact the global fund industry—from already highly regulated mutual funds to hedge funds, which are positioned to be the new frontier for regulation and back-office transformation. “Fund administrators will be faced with the dual challenge of scaling operations, while providing more complex and more frequent reports for regulators. Meeting these demands will render brittle, error-prone manual processes obsolete; technology will become a prerequisite for success,” said Kirk Botula, Executive Vice President and Chief Operating Officer, Confluence.

Among the worldwide regulatory events that are exerting new reporting transparency and disclosure pressures on hedge fund administrators:

- ***In the U.S.***, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires hedge fund advisors with more than \$150 million in assets to register with the U.S. Securities and Exchange Commission as of July 21, 2011. ***The European Parliament*** voted for the first time to regulate hedge funds on a pan-European basis; new capital and disclosure requirements are expected.
- ***U.S. mutual fund administrators*** are also managing an ever-building “crescendo” of regulations that require additional reporting transparency and disclosure—from FAS 157 (2008) and FAS 161 (2009), to last year’s Money

Market Mutual Fund Reform Rule. More requirements for these funds loom on the horizon, such as a second wave of money market reform regulation that could require a fluctuating net asset value (NAV) for money market mutual funds. ***In Canada***, too, regulation aimed at providing investors with more meaningful and effective mutual fund disclosure is heating up. Beginning this month, the Canadian Securities Administrators are requiring Fund Facts for each mutual fund class or series.

Mutual fund administrators are already preparing for the regulatory wave ahead. Nearly 60 percent of fund administrators surveyed by Confluence in March 2010 said replacing manual processes with technology was their most important back-office goal. Almost 72 percent worried that manual processes could prevent them from meeting reporting deadlines.

Accordingly, Confluence believes that fund administration service providers will increasingly turn to fund administration technology to differentiate themselves. “The landscape for fund service providers is becoming more competitive, and companies will differentiate themselves through their service, pricing, and ability to scale while mitigating risk. Data consolidation and process automation will be key to making this happen,” added Mr. Botula.

Kirk Botula is pleased to elaborate on these predictions. To schedule interviews, please contact Robert Minicucci, Warner Communications, at 603-488-5856 or robert@warnerpr.com.

About Confluence

Founded in 1991, Confluence is a global leader in fund administration automation. Confluence helps investment management companies gain unprecedented control by automating every step of the fund administration process—including the collection, creation, confirmation, and delivery of investment product data. Results are lower costs, reduced risk, decreased reporting turnaround times, and the scalability to automate more processes without additional resources. Confluence solutions are used by 40 percent of the leading global investment managers, and more than 60 percent of U.S. mutual funds. The Unity® platform from Confluence addresses a wide range of problems from performance measurement to customized reporting for a full array of domestic and international managed investment products, including mutual funds, funds of funds, collective funds, separate accounts, and variable products, as well as hedge funds and other alternative investments. Headquartered in Pittsburgh, PA, Confluence serves the international fund industry with key locations in London and Luxembourg. For more information, visit www.confluence.com or e-mail info@confluence.com.