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Automation and Data Consolidation Now More Important than Ever In Wake of Economic Crisis, Says Confluence White Paper

No Longer “Wish-List” Items, But Key Strategic Initiatives to Address Pending Regulation and Demand for Transparency, along with Staff Reductions

(PITTSBURGH, PA – DECEMBER 3, 2008) A new Confluence whitepaper for fund companies spells out multiple reasons why data consolidation and automation of back-office functions will be more important than ever in the days following the global economic crisis.

Confluence believes that, in the wake of this crisis and its damaging effect on the economy, transparency and control will have renewed emphasis for mutual funds, hedge funds, and other types of managed investments. This transparency and control will manifest itself in a wave of increased regulation that will affect the types and volume of expense, compliance, and performance reporting that funds must provide.

“A wave of more stringent regulation and oversight is coming, and that wave is going to break squarely on the back office,” said Kirk Botula, Executive Vice President and Chief Operating Officer of Confluence. “This regulation will require even more reporting transparency, stricter process controls, and enhanced compliance monitoring. Manual processes lack the flexibility and control fund administrators need to meet these heightened demands.”

Furthermore, there will be increased workloads to meet investor and regulatory demand as budgets are cuts and staffs are reduced. Almost overnight the crisis has brought new meaning to the concept of “doing more with less” in a world where adequate staffing was already an issue.

“These times of market stress and the increasing demands of the global business environment on investment managers are creating a real need to improve information systems and processes to enhance reporting for regulators and investors,” said Sean McKee, Sector Leader-Asset Management for KPMG, LLP. “This need has existed for some time, but the current environment is proving to be an accelerant. There are significant, tangible benefits for those that can make the necessary improvements to meet the needs of their stakeholders and regulators, while being more efficient in a time of shrinking profits.”

In addition to transparency and control issues, the whitepaper examines how the proliferation of new investment products, along with global regulatory and accounting compliance, plays a role in the complex environment to come. For the hedge fund industry, for example, regulations like FAS 161 will require added disclosure associated with complex securities and valuation methodologies. The use of complex derivative securities will continue to force mutual funds to provide greater in-house reporting, as well.

Mr. Botula concluded, “In the face of these challenges, fund administrators need speed, flexibility, control and heightened risk management – and they need it now. An issue they must master is how to handle this new reality while still ensuring the integrity and accuracy of the data they will be reporting to investors and auditors. This is an area where automation also becomes critical.”

A recent Confluence survey found that half of fund companies interviewed use spreadsheets for more than 25 percent of their fund administration reporting and expense management, and 76 percent want to decrease the use of these manual documents. “That’s not surprising, especially when factoring in the risk of error associated with spreadsheets. Research by a major accounting firm found that over 90 percent of spreadsheets larger than 150 rows contained at least one significant formula mistake,” according to the whitepaper.

A solution to the problem is to consolidate and automate fund administration processes on a single database and technology platform to ensure the integrity of data within multiple complex reports. In fact, 49 percent of fund administration leaders surveyed by Confluence had plans to centralize their data in this way.

To obtain a free copy of “Market Dynamics Underscore Demand for Back-Office Data Consolidation and Automation,” visit www.confluence.com/transparencyandcontrolnow.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 US 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. Major fund companies such as the Principal Financial Group®, T. Rowe Price, and Russell Investments; and service providers such as The Bank of New York rely on Confluence. 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.