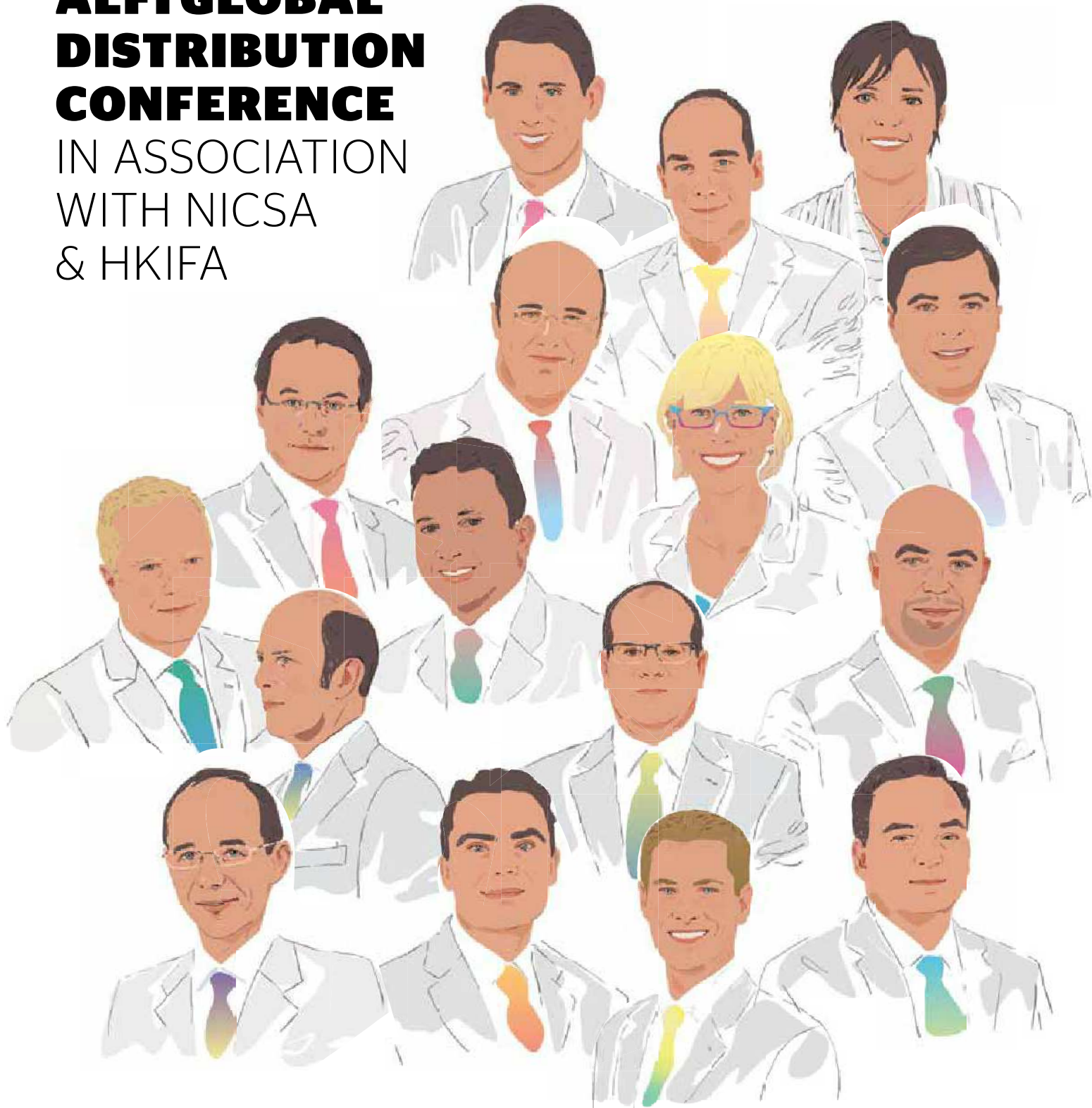


ALFI GLOBAL DISTRIBUTION CONFERENCE

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Technology

Automatically fair

Expense processing software for regulated funds comes of age.

Text Melvin Jayawardana **Illustration** Jocelyn Gravot

Asset management companies around the world are being held accountable to higher levels of transparency. In this highly regulated environment, the best practice for funds expense processing is to automate invoice processing, budgeting, payments and oversight reporting.

Automated expense tracking can take the risk out of manual processing by providing speed, accuracy and cost-efficiencies. The value delivered by automating funds expense process is, first, to standardise, functionalise and centralise expense processing activity; second, to eliminate 95 percent of the end-user checks used in expense processing, and third a 50 percent reduction in effort to produce the same result, a metric of 100 funds per full-time employee.

Fair allocation calculation

Today, many fund managers and administrators use spreadsheets and manual processes to track expenses for umbrella funds of upward of

70 sub-funds with 25 or more share classes. The challenge: numerous complex payment-related budget decisions must be managed, tracked and reported accurately on a day-to-day basis. For global asset managers dealing with country-specific regulations, the challenge is particularly daunting. Should a non-German distributing share class, for example, pay German tax related audit fees?

To allocate fund expenses accurately, asset managers must adhere to the best practice of fair allocation calculation. We believe the use of automated self-administered software helps firms manage the complexity of fair allocation calculations.

Risk factors

In addition to being slow and error-prone, manual processes and spreadsheets potentially expose asset managers and fund administrators to several risk factors, including: NAV calculation errors resulting from various levels of reporting and recording; unavailable granular fee schedule

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European market manager, Confluence

data; breakdowns in authorisation and validation processes; and longer time spent proving accuracy to the funds auditor.

Instead of labouring over spreadsheets, we have seen many in the fund industry turning to self-administered expense processing software. These automated solutions maximise efficiency, reduce errors and provide control over expense processing operations. The software allows transparent budgeting across funds whilst building a calendar of payments. Additionally, the reporting suite provides administrators, fund promoters and the management company accurate and timely reporting along with a precise calculation of the on-going charges figure.

Available technology

In the age of tablets and smartphones, many fund administrators are still processing data manually. But in our view, the fewer hands involved in delivering investment data the faster it will move and the more investors will trust its integrity. Fund data is digital and can be represented and managed accurately and instantaneously through automation.

In addition to risk mitigation, automated expense processing systems provide speed, accuracy, cost efficiencies and increase agility, flexibility and scalability. When large fund administrators automate workflow and data, they may be able to process twice as many funds with the same employee cost.

In short, today's technology can help organisations improve data transparency for investors, adherence to industry best practices of fair allocation calculations, as well as internal efficiency. ☛