



Länsförsäkringar Fund Management achieves a near 100 percent STP rate

TradeseC and TC Connect enable secure, efficient collaboration with external fund managers

Overview

Business challenge

Länsförsäkringar Mutual Fund Company decided to transform its asset management strategy by building a network of external fund managers around the world, enabling its internal team to focus on higher-level priorities such as risk management and investment governance. However, to make this new strategy work, the company needed to find a reliable, secure way to collaborate with the external managers and send and receive information about individual trades.

Solution

Länsförsäkringar implemented TradeseC, an application from IBM Business Partner TradeChannel. Built on IBM Collaboration Solutions technologies, TradeseC provides a secure communication channel with an intuitive web-based interface. An additional module, TC Connect, integrates the solution with Länsförsäkringar's internal systems and those of the external fund managers, enabling straight through processing (STP).

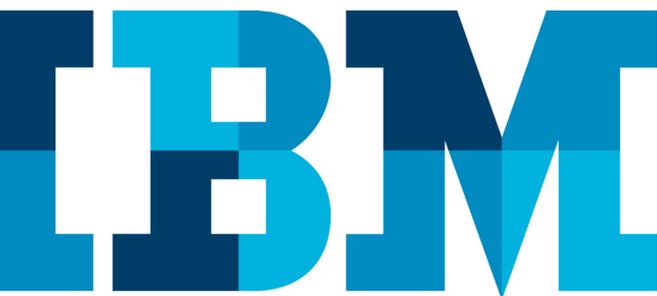
Länsförsäkringar is an alliance of 23 customer-owned Swedish regional insurance companies, which aims to offer the agility and customer focus of a small company with the strength and performance of a large enterprise. It offers a wide range of insurance services, including accident and medical insurance, life assurance, pensions and savings funds, as well as various banking services.

The company's 33 mutual funds are managed by a subsidiary, Länsförsäkringar Mutual Fund Company (Länsförsäkringar Fondförvaltning), which controls approximately 65 billion Swedish Kronor. Based in Stockholm, this company employs around 25 people to oversee the whole operation and monitor performance. Trading and management of the individual funds themselves is handled by external fund managers, selected for their investment skills, knowledge of local markets, and overall financial performance.

Adapting to a change in strategy

"Before 2002, we used to manage all our funds internally," explains Jesper Bonnivier, Deputy Managing Director and Head of Fund Management at Länsförsäkringar Mutual Fund Company "The decision to alter our business model and use external fund managers instead was a major strategic change that offered two significant advantages. First, it would give us access to the expertise of some of the world's top fund managers, and second, it would allow our team to focus on higher-level activities such as risk management and investment governance.

"However, for the new strategy to work, we needed to find a way to communicate securely and reliably with the external fund managers. We are based in Stockholm, but our fund managers live and work all around the world, and trade on markets that open and close at different times of the day. We needed to be able to receive, validate and log the information that they send us about the trades they have made in real time, 24/7, regardless of whether they take place during our working hours or not. In short, we needed an IT solution that could automate the whole trade capture process for us."



Business Benefits

- Boosts STP rates to nearly 100 percent, significantly reducing manual workload for both parties.
 - Provides a highly reliable solution for capturing trades, with no unplanned downtime or loss of data in several years of continuous operation.
 - Improves risk management: real-time validation and reporting help Länsförsäkringar to identify errors and high-risk trades, and take immediate action.
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Boosting STP rates with TradeseC

After reviewing various options, the Länsförsäkringar team chose to implement TradeseC, an application from IBM Business Partner TradeChannel, which is built on an IBM Collaboration Solutions platform.

“TradeseC wasn’t the only solution available, but it was the one that gave us the most confidence,” explains Jesper Bonnavier. “It met our requirements in terms of providing a cost-efficient, automated process that would enable our external managers to achieve high rates of straight through processing [STP] for their trades.”

Ease of integration

The high STP rates are achieved through the TradeseC solution’s sophisticated integration capabilities; it uses a module called TC Connect to interface not only with Länsförsäkringar’s own internal portfolio management system, but also with the external fund managers’ trading systems.

“The flexibility that the TC Connect module provides is a major advantage,” states Jesper Bonnavier. “One of the most important benefits of the solution is that it’s easy to persuade the external fund managers to use it, because it’s relatively straightforward to connect it to their existing systems. When we bring a new fund manager on board, they can specify the format that they want to use, and TradeChannel can usually set everything up in a few days. So they can get up and running quickly without committing to a lengthy and expensive integration project.”

When a trade is made, the relevant information is automatically transmitted via TradeseC from the fund manager to Länsförsäkringar, where it is logged and validated. As a result, more than 99 percent of the trades can now be processed without any need for human interaction – saving administrative costs, increasing agility for the investment managers, and helping the Länsförsäkringar team focus on higher-value activities instead of manually checking each transaction.

Near-real time information

“We receive the trade information almost as soon as the trades have been made, which means we always have the latest data at our fingertips,” comments Jesper Bonnavier. “This is vital when we’re performing various daily calculations – for example, on the net asset value of all our funds. Since we know our information is up-to-date, we can be sure that the results are accurate.”

“The availability and visibility of information is also important because one of our main responsibilities is to monitor the overall position of our funds and manage risk effectively,” he continues. “We need to be able to react rapidly if any problems or breaches occur. TradeseC provides control reports for our risk managers, so if anything unusual happens, they get notified quickly.”

Solution Components

Software

- TradeseC from TradeChannel
- IBM® Lotus® Domino®

IBM Business Partner

- TradeChannel
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“It’s clear to us that the IBM Collaboration Solutions technology and the TradeseC and TC Connect applications combine to provide a very robust and powerful communication platform.”

— Jesper Bonnavier, Deputy Managing Director and Head of Fund Management, Länsförsäkringar Mutual Fund Company

Finally, in several years of operation, the solution has never suffered any unplanned downtime or data loss: it has reliably captured every trade made by the external fund managers.

Supporting the needs of the business

“We are finance people, not IT people, so we see TradeseC as a business tool rather than an IT system,” says Jesper Bonnavier. “What’s important to us is that it’s easy to use, it’s easy for new fund managers to integrate with their own systems, and it works in a completely reliable way, 24/7. Nevertheless, even from a non-technical perspective, it’s clear to us that the IBM Collaboration Solutions technology and the TradeseC and TC Connect applications combine to provide a very robust and powerful communication platform.”

He concludes: “Over the years, we have continued to work closely with TradeChannel to develop the solution further and meet new requirements as they emerge. This year, we added a feature that collects corporate actions information from external sources and integrates it with our own data. In the coming year, we might add securities information too. We look forward to continuing our partnership with TradeChannel and creating new solutions that will help to maintain our position at the forefront of the Swedish fund management sector.”

About TradeChannel

TradeChannel AB is a software company with extensive experience and in-depth industry know-how. TradeChannel assists the financial community in the management and integration of external managed mandates. Amongst its clients are major pension and mutual funds, insurance companies and banks.



For more information

To learn more about IBM Collaboration Solutions, contact your IBM sales representative or visit:

ibm.com/software/info/itsolutions/collaboration

To learn more about products, services and solutions from TradeChannel, visit: www.tradechannel.se



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