

# MODERN, FLEXIBLE, SCALABLE

JOAN KEHOE OF QUINTILLION EXPLAINS HOW TECHNOLOGICAL SOLUTIONS TO INCREASING REPORTING DEMANDS SAVE ON TIME, MONEY, AND ERRORS



**Joan Kehoe** is chief executive officer and founder of Quintillion. She was previously an executive vice-president of PFPC Worldwide and managing director of the European operations of PFPC International. She has over 25 years' experience in the funds industry.

**E**nvironmental and regulatory changes in the hedge fund industry in recent years have led to an increased demand from investment managers and investors alike for administrators to adopt a robust daily processing environment. Expected to provide more information and with greater frequency, administrators must install modern, flexible and scalable technologies to meet these needs. Joan Kehoe, chief executive officer of Quintillion, talks to *HFMWeek* about the call for a true exception-based environment which all but eliminates the need for manual intervention.

**HFMWeek (HFM): Quintillion has quickly developed a reputation for technological expertise. How important is technology to the company's work model, and what differentiates your technical offering from that of your competitors?**

**Joan Kehoe (JK):** Quintillion, from inception, has advocated the use of technology to automate the core fund administration processes. This process was made easier due to the fact that we started with a blank sheet of paper and a team of highly experienced staff well versed in the issues that need to be addressed. We took an innovative approach to areas that have traditionally been manually intensive. We create efficiencies through the smart use of technology, not by 'throwing bodies' at the issue, and certainly not through 'offshoring'. We employ a combination of best of breed third party software such as Advent Geneva®, Workflow Manager® and Paladyne's Price and Security Master®, alongside proprietary in-house designed and developed applications. On the investor services side we use HWM Mantra® and CMS® Imaging system.

We always felt the key to our success was how we deployed our technology. There is no point having a great accounting system like Geneva if you are not using it in a smart way. All our key staff are experienced Geneva users and this allowed us to deploy it in the most efficient and effective manner. We utilise the full Geneva functionality, like fund structures, bank debt and swaps module, and then

complement this with Paladyne, our own reconciliation suite or dashboard management tools. How you use your technology is key.

**HFM: How important a role does technology play in your implementation of processes?**

**JK:** Here at Quintillion we make the most of the advantages technology affords on a daily basis. Some of the methods we have put in place in terms of trade processing, especially around the over-the-counter (OTC) process, have been a huge leap forward in eliminating manual processes. We have mapped our trade process to all the order management systems and the way we have deployed Advent's Workflow Manager has enhanced our data processing function significantly.

The trade process is split into two separate areas, the building of any new security masters and the actual loading of the trades. The daily trade file from our client's order management system (OMS) contains trade details along with the economics of any OTC position. This is key in ensuring that all OTC securities are automatically built within our accounting system before the trade is booked. This can also help later in the workflow process when it comes to reconciliations for example, as our OTC securities will use the client's internal identifier, thus making the reconciliation process seamless. We generate all cash flows automatically within Geneva, based on these various economics, and can perform proper independent cash reconciliations back to the street.

For the building of non-OTC or listed instruments, Quintillion employs Paladyne Security Master. This provides Quintillion with a centralised terms and conditions repository and distribution engine.

Whether servicing commodity trading advisers (CTAs), with huge trade volumes, multi-strategy funds with OTC securities that need to be processed, or more vanilla type funds, we are at the forefront of deploying processes that facilitate complete integration between the investment manager and administrator and reducing operational risk by replacing traditionally manual processes.

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**HFM: What are your policies regarding OTC pricing and valuations, and what key issues come into play?**

**JK:** We employ Paladyne Price Master as a centralised repository of global pricing and market data. Price Master allows us to automatically collect, store and analyse pricing data from various vendors. We have built various pricing templates which allow for custom pricing rules based on firm-wide pricing policies and compliance requirements.

In terms of OTC pricing, it is very important to work up-front with the manager, establishing a comprehensive policy to provide for a transparent valuation process of all the investment positions in the fund's portfolio. Consistency of approach in the process is very important. We would typically use a combination of valuations derived from a third party vendor in conjunction with counterparty mark-to-market data.

The process we have setup in our trades' workflow, in terms of bringing down the full economics of the trade alongside any other reference data and storing this information in our accounting system, is a great help when it comes to pricing. Allied to this we automatically gather counterparty data and perform comparisons on valuations.

As I mentioned earlier, it is important to be able to provide transparent reporting to both managers and investors, which provides a breakdown of price sources for each position in the portfolio, be it vendor priced, a counterparty mark or pricing committee price. This reporting also splits the number of prices for each price source, the percentage impact on the fund and so on. This is where our technology can help, both in terms of Paladyne Price Master and how we produce our comprehensive client reporting.

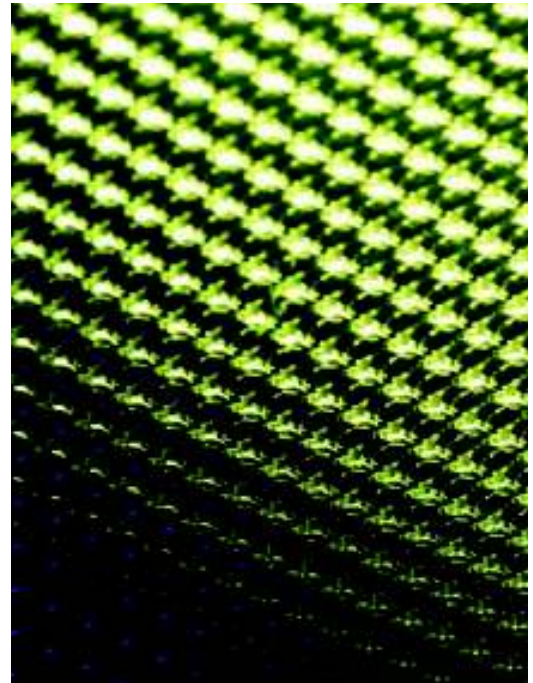
**HFM: How does Quintillion manage the reconciliation process with prime brokers and counterparties?**

**JK:** Quintillion has developed a proprietary reconciliation suite called Q-Match, which reconciles our cash and positions to prime brokers and counterparties on a daily basis or positions and profit and loss to our client's records. This is integrated with several of our clients' portfolio systems in order to produce profit and loss, position and market value reconciliations. With Q-Match, no batch processes need to be run and so reconciliations are executed dynamically. All our reconciliations, including cash, are on one central system. This forms an audit perspective which allows us to ensure that 'breaks' are addressed and followed up in a timely manner.

We have also developed an open trade equity reconciliation, which allows high-volume CTA funds to reconcile in a straightforward manner to the prime broker.

**HFM: What are the key qualities of a solid control environment?**

**JK:** Efficiency and transparency are key. We have developed an internal dashboard called Q-Control, which is a status management tool for all relevant daily activities and net asset value (NAV) processes. This dashboard integrates several licensed and in-house designed applications into a central tool that brings new efficiency and transparency to relevant fund accounting process. A traffic light workflow system designed to implement a daily, exception-based processing environment, Q-Control is



fully integrated with various portfolio management systems, prime brokers and counterparties alongside extracts from Advent Geneva©, Paladyne© and several custom applications. This allows for more systematic checks and controls and includes a full audit trail of the relevant processes provided.

Uniquely, we can provide our clients a dynamic view of this dashboard through our web reporting in order to ascertain the status of various stages in the NAV process if this is desired. This is all part of trying to provide as much transparency as possible.

**HFM: What role can technology play in improving reporting to clients and investors?**

**JK:** We have developed our NAV reporting pack based on the information our clients have asked to see. The information can be accessed via the clients' dedicated web portal with the data set out graphically or in a downloadable Excel format. The web portal will contain all of the historical files provided to the client whether they are NAV packs, reconciliation reports or other ad hoc requests. This means there is only one website each client has to visit to get their data.

In terms of reporting to investors, this can be done via a web portal or email as requested by clients. Clients have the ability to access all investor information via the web, including data on anti-money laundering (AML) status, pending subscriptions or redemptions and historical investor transactions.

We have also included a look through to the operational dashboard used internally at Quintillion. This allows our clients to see exactly where the process is at, whether it be on a given day or during the crucial month end NAV production phase. This dashboard view covers the fund accounting and shareholder services functions. ■

