

An efficient operating solution for investment managers



What Is IBOR?

The IBOR (Investment Book of Records) is a single source of consolidated data that combines start-of-day and end-of-day positions. It provides an up-to-date view of positions and exposures to help support the investment decision-making process.

In recent years, the management of data quality has been a focus for investment managers. But the scope of data management has gradually broadened from its origins in market data to encompass position data too. Managers are increasingly concerned that the position data supporting investment decisions should be of the highest quality. The need for IBOR is driven, to a large degree, by this increasing demand from front office users for accurate, complete and timely position data.

What Does It Offer?

Simply put, IBOR offers the prospect of position data that is both timely and complete. And with the industry now moving toward implementing a single accounting system, whether in-house or outsourced, to help streamline processes and reduce systems cost, an IBOR is quickly becoming a necessity for firms.

Today, many market participants have initiatives planned or underway under an IBOR banner. These vary from tactical improvements to end-of-day and start-of-day processes, from extensions of intra-day position-keeping in order management systems to fully independent master record-keeping for positions.



Traditionally, the front office has relied on portfolio accounting systems in the back office to supply the position data needed to make investment and trading decisions. However, the differing priorities and workflows of these two parts of a firm mean they are not always in sync, and a growing number of firms are seeking to reconcile the differences between their front and back offices by creating an integrated IBOR solution.

Trading and Accounting Benefits

Front office personnel require start-of-day positions to inform their investment decisions. They need to understand how their portfolios have been influenced by trading activity, corporate actions and collateral management events. Meanwhile, the accounting function in the back office is interested primarily in end-of-day positions, which it needs when maintaining records in accordance with the Generally Accepted Accounting Principles (GAAP) and when doing performance measurements in accordance with the Global Investment Performance Standards (GIPS). And finally, the IBOR can help the back office by providing the basis for reconciliation against custodians or accounting systems.

Today the financial industry recognizes that the status and timing of positions required to support investment decision-making and trading are different from those which serve accounting. As a

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result, there is a demand for products and services that will give front office users access to more timely, accurate position data along with more complete data through their portfolio management, trading and risk applications.

In the Front Office

With the increased attention placed on access to quality data, there are some significant benefits in implementing an IBOR solution for the front office. Firms can significantly minimize the risk of poor or incorrect investment decisions due to incomplete and out-of-date position data. They will also have access to a much more accurate, complete picture of risk exposures. Front office personnel know that they base critical investment decisions on accurate and timely data, and can spend more of their time managing investment returns and risk exposures without having to involve operations and compliance.

In the Middle Office

Equally important to servicing front office needs, a well-constructed IBOR supports middle office business functions such as calculation of daily security-level performance measurement and portfolio attribution, oversight of the back office or custodian, management reporting, client billing, and client statements.

The value of IBOR can also be found in assisting with the avalanche of recent legislation such as Dodd-Frank and Solvency II. One thing they all have in common is the need for an accurate view of exposures across counterparties, collateral and the underlying derivatives. Without a solid IBOR in place, compliance with such complex regulation may be an uphill battle for firms. Instead of creating piecemeal solutions, the IBOR solution is designed to support compliance for today’s regulations as well as future ones.

In the Back Office

The benefits of having an IBOR in the back office lie in having an independent view of positions. The IBOR provides a basis of control for having multiple service providers, since it serves as a single point of aggregation and alignment across service providers. As well as the more obvious benefits of having a single source of data, there is a real business advantage in terms of operational flexibility. This is because the IBOR’s existence means that, should the business need arise and depending upon operating model employed, individual outsourced business functions can be brought back in house; retained functions can be outsourced; or migration from one outsourced service supplier to another can be facilitated. And finally, the IBOR provides the basis for reconciliation against custodians or accounting systems.

Additional Book of Record Abbreviations

ABOR

The Accounting Book of Record (ABOR) is the investment book that supports the back office operations. In most cases, the ABOR is maintained by an outsourced provider and is typically the official book of record that is the basis for financial statements and is audited annually.

MBOR

Seen as the next step in this evolution is Multiple Books of Record (MBOR), which enables companies to set up multiple views within an account structure. Currently, Advent’s Geneva® solution offers this capability depending on a firm’s specific accounting structure.

How Geneva® Can Help

SS&C Advent’s IBOR/MBOR proposition is based on our Geneva product, which services trading, trade processing and accounting for hedge funds and global asset managers. Geneva is widely used across the buy side, deployed by administrators, hedge funds and institutional managers.

Geneva operates as a 24/7 position-keeping system, built from scratch to operate in real-time and without a batch window.

It will deliver IBOR functionality through a real-time transaction or position process, with the ability to include and exclude trades in reported position views by the defined lifecycle status.

Geneva has an accounting capability, but was built to deliver all reporting up to real time including P&L linked to real-time pricing. It has unlimited levels within its representation of fund structures, and offers look-through to any depth. There is a time-series of position changes maintained in Geneva, which supports a concept of knowledge time. This allows positions to be based on position-changing events known about at a particular point in time.

Over 50 percent of Geneva clients use it as an IBOR/MBOR solution. This is comprised of the aggregation of data from multiple sources, the normalization of the data, and the delivery of information in a real time environment, available 24/7/365 with zero internal batch processing requirements. Geneva is selected because of this powerful technology and its “as on, as is, as will be” reporting.

Change is in the Air

There is a growing belief that the accounting-centric architectures that investment managers have relied on for years may be coming to an end.

IBOR presents the opportunity not just to update existing technology but to overhaul it completely. By implementing an IBOR system, firms will benefit from a simplified but reliable approach to both daily processing cycles and technical architectures.

While operating IBOR on a daily basis requires operational resources to keep it updated, the benefits will likely provide tangible results in terms of more accurate position information, enhanced trading and better compliance. Investment management firms are beginning to realize the merits of a single, all-encompassing operational system, supported by an IBOR to ensure faster time to market with new products and to improve revenues. It’s difficult to argue against the business benefits of having a real-time view of all positions and transactions that allows firms to make their investment decisions with full transparency and knowledge of market exposures.

The fact that firms today are weighing the merits of an IBOR solution suggests that the time has arrived to address the challenges brought about by an increased volume of data, particularly as it relates to funneling that information throughout an entire firm. And by rethinking the way technology and business processes are coordinated at a fundamental level, firms can ensure they are on the right track

to controlling costs, meeting regulatory requirements and improving overall execution.

Challenge and Opportunity

In the face of soaring trade volumes, increasingly complex transactions, and the mounting pressure for faster reconciliation, investment management firms today face both a challenge and an opportunity. The challenge is to meet the growing market demand for accurate, real-time reconciliation regardless of volume levels. The opportunity is to increase efficiency, eliminate error-prone manual intervention, and reduce the labor and infrastructure costs associated with reconciliation. Fortunately, technological solutions exist that enable a firm to meet both.

Introducing automated processes wherever possible across an enterprise’s operations—with all the advantages automation brings in terms of cost reduction, error reduction and scalability—is one of the most effective ways for industry participants to gird themselves for whatever changes and challenges lie ahead. While automation in itself may be no guarantee of success, a scalable and repeatable process will provide the foundation for stability and growth—and a measure of protection against market uncertainty.

Key Benefits of an IBOR Solution

- > Minimizes the risk of wrong investment decision based on incorrect data
- > Gives complete overview of risk exposures
- > Enables more efficient use of assets due to accurate and complete online view of positions
- > Provides an independent view of positions to create flexibility with service providers
- > Reduces time spent by operations staff correcting inaccurate position data in current setups
- > Allows reconciliation against custodians or accounting systems

About Geneva®

Geneva, a global portfolio management and accounting platform, is a proven solution for asset managers, hedge funds, fund administrators, prime brokers and mutual funds that require a high level of operational efficiency and easy access to real-time data. Geneva offers comprehensive instrument coverage, full financial general ledger, and industry-standard integration tools to enable firms to manage complex investment vehicles, multiple investment strategies, and tiered fund structures.

Who We Are

Advent, a business unit of SS&C, is helping over 4,300 investment firms in more than 50 countries—from established global institutions to small start-up practices—to grow their business and thrive. Delivering unparalleled precision and ahead-of-the-curve solutions for more than 30 years, we help our clients minimize risk, work together seamlessly, and shape the future of investment management. For more information visit www.advent.com.

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