

## CASE STUDY

### Investor Services Firm doubles client base and cuts operational headcount 30% by automating Cash Allocation and Rebalancing



With headquarters in the US and operations in over 20 countries, Richmond Investor Services\* (Richmond) is a premier Investor Services Firm. It helps institutional investors and asset managers to deliver new products, optimize efficiency, enhance revenues and mitigate risk. Richmond combines deep industry knowledge with advanced technology to help its clients deliver innovative investment solutions.

Richmond performs a broad range of asset services, including custody, accounting and 'middle office' services for major institutional investor clients. In recent years, as open architecture, multi-asset managed allocation investment structures grew more popular, Richmond saw an opportunity to lead the market in client-specific, customized solutions for very large defined contribution plans.

#### The Missing Piece

Daily cash allocation and rebalancing ensures that investment portfolios reflect their pre-determined asset allocation, in the face of constantly changing asset values. This complex operation requires great precision and is highly dependent on other processes and resources. It is also laborious, prone to human error and too slow for major institutional clients who need daily rebalancing of their key funds. 'An automated platform was the missing piece for us', in the words of Richmond's Product Manager, Gretchen Van Kampen\*.

Van Kampen saw the potential to offer a market-leading automated platform to Richmond's major clients, for daily cash allocation and rebalancing of target date funds (both custom and open architecture) and other complex fund of fund structures. Ideally, the platform would support any investment products or pools, and thus enable pension fund sponsors, investment managers and consultants to design and implement highly customized solutions for their clients.

\* Client details have been changed for privacy reasons.



#### A 'Lights out Straight Through Process'

Van Kampen believed that an automated platform would 'make the implementation and operation of high value institutional investment structures much simpler, more consistent, more customizable and more profitable.' Ideally, it would make cash allocation and rebalancing 'a lights out, straight through process' in her words, but first it had to meet Richmond's key criteria for IT systems which included:

- Enterprise class reliability and precision
- 'Bank strength' transaction processing and process certainty
- Easy scalability without extra headcount
- Configurable admin parameters and embedded system controls
- Integration with Richmond's other applications and processes
- High degree of automation with minimum human intervention.

“ The automation and scalability pControl brought to this process meant we could handle more clients, while reducing our headcount and improving our profitability.   
Gretchen Van Kampen, Product Manager



#### Easy Choice

One option was to build a system to deliver this high value service for blue-chip clients, but doing this in-house was too complex and risky. Upgrading the current system was not an option either; it comprised a range of bespoke desktop PC tools used to perform rebalancing calculations per client. In addition, Richmond didn't have a system to satisfy daily automated cash processing.

At the time, there were few automated solutions for cash allocation and rebalancing on the market, especially any able to support the complexities of customizing profiles for individual institutional clients. Since it offered the 'lights out straight through process' Richmond wanted, the pControl platform from Milestone Group virtually selected itself, according to Van Kampen.

In addition, its cash allocation and rebalancing capabilities offered Richmond the flexibility, precision and process certainty it needed to design individually-customized solutions for institutional clients.

#### Implementation Challenges

The implementation only took 5 months, which was surprising, considering the complexity of Richmond's IT environment and operations.

The challenges revolved around two key factors:

- Cash allocation processing was a completely new middle-office service for Richmond, which triggered some internal resistance due to a perception of increased operating risk.
- The rebalancing service had previously been run on a decentralized basis by different business units using client-specific PC tools, a very different process from a centralised solution like pControl.

Richmond realized that a new operating model was needed to ease its transition to pControl. The model was implemented and tested in a newly-formed centralized operating unit which then enabled the 'missing piece' to be activated.

“ An automated platform for cash allocation and rebalancing was the missing piece' for us.'   
Gretchen Van Kampen, Product Manager

“ The power, flexibility and scalability of this platform is incredibly valuable. In fact, the biggest challenge is getting our clients to even imagine this product and operating design, much less believe that it is possible and in operation. It's good to have that edge.   
Gretchen Van Kampen, Product Manager

#### Market-Leading Impact

pControl proved to be the right platform to implement customized solutions via a centralized operating model and to control operating risk. Van Kampen confirms that, apart from meeting all of the firm's requirements, pControl also substantially reduced Richmond's operating risk and processing costs.

Once pControl had proven itself, Richmond decided to extend the automated cash allocation and rebalancing service to more clients, thus increasing the number of high value services it could offer. In addition, pControl gave Richmond a competitive edge that helped it win new clients, not just gain new revenue from existing ones.

Apart from meeting the group's primary objective, Richmond reported the following concrete results:

- Number of clients doubled over 2 years
- Headcount reduced by 30% over the same period
- pControl scaled up to accommodate more clients without extra headcount.

'The power, flexibility and scalability of this platform is incredibly valuable,' Van Kampen sums up; 'in fact, the biggest challenge is getting our clients to even imagine this product and operating design, much less believe that it is possible and in operation. It's good to have that edge'.



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