

# Client side

It can be difficult sometimes for technology companies to get a real feel for how the end user utilises new products. So getting the information from the horse's mouth is invaluable

## EXCLUSIVE

Tonia Noschese and Chris Byrom recently joined Pirum's client service team having spent many years of their careers to date working in the securities lending operations teams of some of the industry's most significant market participants. Pirum's chief executive Rupert Perry talks to them to hear their first hand experiences of implementing and using the industry's contract comparison and billing tools from the end user's point of view and the effect that this had on the overall operational processes in their organisations.

**Rupert Perry: What did you find was the biggest impact of using automated contract compare at your firms?**

**Tonia Noschese:** As a relationship manager at Deutsche Bank, I found contract compare was particularly helpful in three different areas: 1) Risk and transparency of positions – you can easily see if the counterparty recognises all the positions you know, especially on stocks where urgent action might be required. 2) I could easily see the high level overview of the break issues with my clients and quantify the extent of any issue. 3) Client reps were able to reduce the time they spent on manual repetitive tasks and spend more time on value added tasks. (eg, root cause analysis of breaks instead of ticking back positions by hand).

**Chris Byrom:** I was involved in the initial rollout of contract compare at J.P. Morgan and probably the most notable effect I saw was on downstream processes. In particular, I found we were able to agree and settle our bills and process any corporate actions much more quickly than was the case previously.

**RP: How was the contract comparison process organised at your institution? Who was responsible for investigating and resolving any identified breaks?**

**TN:** I've seen it managed a number of different ways. In my early days, it was client aligned in that one person was responsible for contract compare, exposure, marks and calling in returns and this had an advantage in that you could see the whole picture across a series of processes. The disadvantage of this model was that contract compare was seen as a non time critical process and this resulted in other processes

taking priority in busy periods. More recently, I've seen dedicated contract compare teams given responsibility to ensure that all breaks are investigated and resolved. This helps you manage the risk across all counterparties and enables you to prioritise the breaks that have the most material impact.

**CB:** We tried it a number of different ways. When we first rolled out contract compare, we had a dedicated team focusing on cleaning up the reconciliations before incorporating the process back into normal line teams. We tried attaching the contract compare process to various different teams but ultimately, we found that during busy periods it wasn't being given the attention it needed and we therefore found it was more effective to use a dedicated team to manage it on a daily basis.

**TN:** The general market trend for increasing use of offshore teams has encouraged a greater use of the dedicated team approach. This is because automated contract compare has made it much easier to identify the breaks and the facility to add comments to breaks on-line has made it one of the easier processes to be performed on a distributed basis. Increasingly, we are seeing the complete centralisation of contract compare where the comparison processes of all offices around the globe are centralised to a single offshore location.

**RP:** It's interesting you say that, as one of the things we have noticed amongst our client base is that we generally find contract compare break percentages tend to be lower when clients use client aligned multi functional teams rather than dedicated reconciliation teams. I suspect this is because someone doing the reconciliations client aligned can immediately see the downstream impact of any contract compare breaks on all of the other processes that they are responsible for (eg, marks/returns/settlements etc.)

**RP: What was the effect of introducing automated billing comparison and delivery?**

**TN:** One of the biggest frustrations I found with the manual billing process was that the billing team would spend three days every month printing bills, scanning them in to PDF format and then emailing them out to clients. We then

had to manually reconcile the bills and this was especially time consuming when counterparties could not send us a standardised Excel format bill.

When we introduced automation to the delivery and reconciliation processes, the team was able to shift its focus onto investigating the breaks and rectifying any identified differences. As a result, I would say it advanced the billing settlement timeframe by at least a week and this enabled us to agree and pay the majority of our automated bills within the first 10 days of the month, in line with industry best practice.

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**CB:** The main benefit I noticed was that we had a much improved ability to investigate and look at any billing differences prior to the numbers being locked down in our system. This in turn resulted in many fewer post lock-down adjustments being required to the beneficial owners' revenue, which improved the quality of service we supplied to them and their confidence in us as a Lender.

Another big area of improvement was the process standardisation around creating and delivering the bill. Whereas brokers used to send bills to us in widely differing formats, the automated billing delivery process enabled the team to review all bills in the same format and this streamlined the training of new members of staff and made it much easier for team members to cover unfamiliar clients when their colleagues were away. **SLT**