

Ausmaq moves swiftly to reduce risk

By Philippa Yelland

The payments system of the funds management industry is lumbering into the 21st century as custodian Ausmaq goes online with the order-sending component of SWIFT's electronic messaging system, called Funds.

The driver for automation has not been "the immediate dollar savings," says Ausmaq's chief executive, Robert Brown, "because there are still some issues with take-up in the market."

Ausmaq is a wholly owned subsidiary of the NAB, and jostles with HSBC for the second and third places after behemoth RBC Dexia.

Custodian Ausmaq now takes third place behind RBC Dexia Investor Services' registry business, the biggest by transaction volume in the industry, and HSBC Securities Services' custody arm, the second by volume.

According to SWIFT's manager of securities, Tim Hamer, this means the three largest custodians in the industry are now using SWIFT messaging to cut costs, boost scalability and reduce risk. But he estimates they represent only 7 per cent only of the market.



Tim Hamer

Ausmaq's Brown says: "We're specialised managed fund administrators, with tangible innovation in the market, and so we need to be involved strategically."

The clincher for Ausmaq's implementation of SWIFT was the presence of the registry community, Brown says. Previous attempts to move away from paper-based faxes were spearheaded by distribution and platforms, Brown says, and so did not have the whole industry's buy-in.

Combined with Ausmaq's proprietary automated system,

Brown says Ausmaq is now 50 per cent automated, "the highest level in the industry," he says.

Ausmaq has been using SWIFT's Funds for a few weeks only, so it's still too early to comment on the implementation, Brown says, but responses have so far been positive.

"Yes, we anticipate significant cost savings, but more important is the operating leverage," he says. "As volume goes up, there'll be more value and no need to add more staff."

Industry-leader RBC Dexia processes over 300,000 custodial transactions a year, and is fully SWIFT-enabled on the order-receiving side, with the order-sending side working to go live later this year. Both RBC Dexia and HSBC went online in March last year, followed by Vanguard Investments Australia in April and BlackRock Asset Management Australia in June last year.

Messaging is electronic, which means that instructions to buy or sell are input into the registry system through automation, requiring no human intervention or input – removing errors and risk. The registry system then creates a confirmation of the number of units to be bought and at what

price. In the case of redemptions, a similar process occurs with the value of the redemption being sent.

The time savings are huge, says Hamer. "On a handwritten or computer-generated fax, it can be up to three days before the trade is confirmed, perhaps even longer if the order is sent or received out-of-time. As well, accuracy improves because there is no re-keying."

SWIFT is talking with other parties including: netwealth Investments, JPMorgan, BNP Paribas Securities Services, Computershare, Maple-Brown Abbott Investment Managers, MainstreamBPO and National Australia Bank Asset Servicing, which are all hoping to go live this year.

Internet delivery of SWIFT messaging is now possible via SWIFT Alliance Lite, which does not need any SWIFT infrastructure for the client.

Hamer and his team concluded a pilot of this method of messaging with Computershare and Maple-Brown Abbott in January and February, and both are planning to go live with the tool after July.

"Now it's like mobile email, so you can log-in anywhere, and send and receive from anywhere," Hamer says. ■

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