



CASE STUDY

*Okasan Asset Management uses
NRI's SmartBridge Advance*



CLIENT PROFILE

Okasan Asset Management

LINE OF BUSINESS

Asset Management

FOUNDED

1964

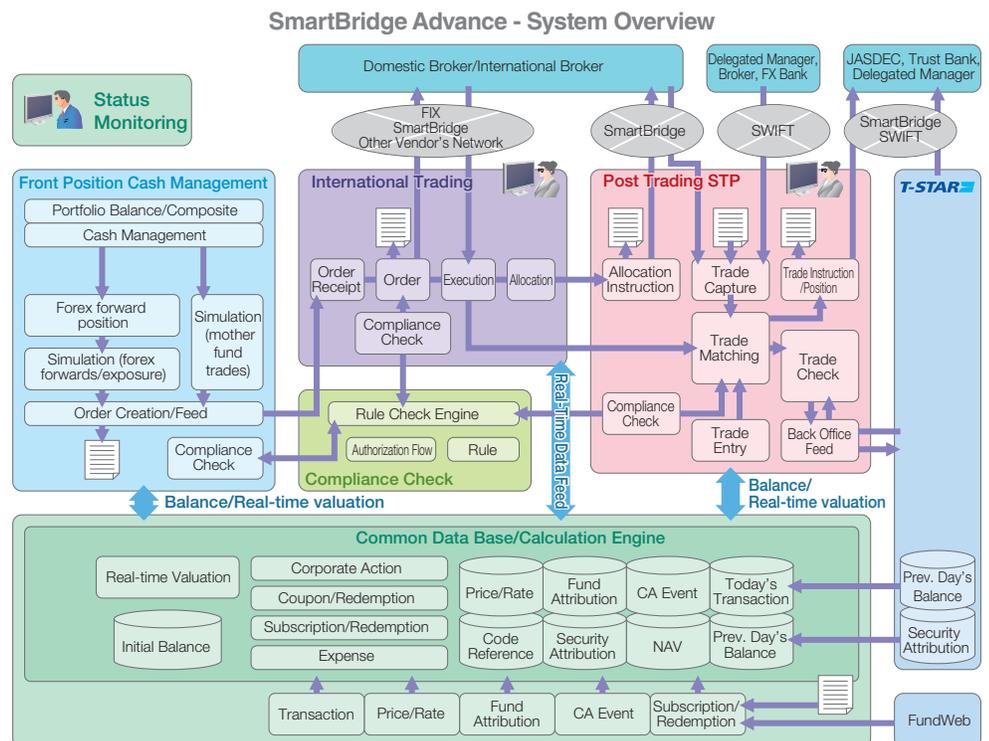
IMPLEMENTED SOLUTION

SmartBridge Advance

Okasan Asset Management (Okasan AM) has been using SmartBridge Advance (SBA) since March 16, 2013.

SBA is a comprehensive suite of front-office solutions that help asset management companies' fund managers and traders do their jobs. SBA comprises four main functions: (1) position management to assist fund managers, (2) an order management system (OMS) for trading operations, (3) automated transmission of trade data to back-office systems for post-trade processing, and (4) compliance monitoring. Of these functions, the first and third are considered particularly difficult to systemized. Many asset management companies handle these two tasks manually or with EUC (end-user computing) solutions. SBA not only computerizes these two functions, it performs all four of the above functions from a single platform, enabling fund managers, traders, and back-office personnel to monitor the progress of each other's work in real time.

SBA is configurable to meet users' individual requirements. Its aforementioned four functions are available separately or in any combination. For each function, users can select only the asset classes they need (available asset classes include domestic equities, foreign equities, domestic fixed income, foreign fixed income, currencies, futures, margin trading and short-term assets (CDs, commercial paper, repos, gensaki repos, and call money instruments)). Users also have the option of outsourcing operation of SBA to NRI. Okasan AM chose to install all four functions (excluding the outsourcing option) for all available asset classes except short-term assets (CDs, commercial paper, repos and call money instruments).



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SYSTEM UPGRADE IN PURSUIT OF BEST EXECUTION

In its trading operations, Okasan AM was previously using another vendor's software solution installed in a system it had developed in-house. It was handling other front-office tasks manually or with EUC.

Although its trading operations were thus partly systemized, Okasan AM wanted to build a state-of-the-art trade execution system capable of direct market access (DMA) for transmitting buy and sell orders directly to securities exchanges, algorithmic trading for automating trade execution strategies, and smart order routing (SOR) to automatically route its orders to the best market among available alternatives, including PTS (proprietary trading system) markets. Additionally, Okasan AM wanted to upgrade its system to automate position management and compliance monitoring, both of which are closely related to trading operations.

According to Michitaka Kato, Director and Division Executive,



"The primary aim of the front-office system upgrade was to boost productivity per employee. Our family of funds is growing as we develop new products to timely meet investors' changing needs and set up private funds customized for specific clients. However, we are not able to expand our workforce in parallel with growth in our family of funds. By automating routine work and visual checks, we can strategically reallocate manpower to business planning and tasks that require more expertise. Such a reallocation is good for employee morale also. We consider the system upgrade to be a forward-looking investment aimed at realizing such benefits."

Michitaka Kato

*Director & Division Executive,
Corporate Planning and
General Affairs Department and
Information Technology Department*

"A secondary aim was to rebuild our best-execution environment. By installing a system that integrates not only trading operations but all front-office business processes, we can shorten workflow time for everyone from fund managers to traders while also reducing traders' clerical workload, enabling them to focus more on trading. If fund managers and traders fulfill their respective roles professionally, our trades are more likely to be executed at the best prices. This contributes to our primary aim also."



WHY OKASAN AM CHOSE SBA

Before deciding on SBA, Okasan AM compared several vendors' OMSs. In the words of Yuichi Ogashi, Senior General Manager of the Information Technology Department,



"When I first heard of SBA, it was under the impression that it was only a trading system at that time. SBA was consequently not one of the systems that we initially considered. We were on the verge of choosing another vendor's system when we learned that SBA now offers a full suite of front-office functionality. We decided to continue evaluating systems including SBA."

Yuichi Ogashi

*Senior General Manager,
Information Technology Department*

The factor that prompted this decision was SBA's connectivity with T-STAR, an NRI solution that comprehensively supports investment trust companies' back-office operations. Asset management companies need to connect their front- and back-office systems for two reasons. The first reason is to ensure correct accounting treatment (connectivity from SBA to T-STAR). The second is to provide fund managers with portfolio and balance information that is essential for optimizing investment performance (connectivity from T-STAR to SBA). "Asset management companies must calculate NAVs by a given deadline," explained Mr. Kato. "This deadline must be met no matter what. Regardless of how attractive a front-office system is in terms of functionality, it cannot calculate NAVs unless it can be connected to T-STAR. SBA ensures connectivity with T-STAR. Even if the SBA system's design changes, connectivity with T-STAR would be preserved and vice versa. With other vendors' systems, however, the vendor is concerned only about whether its own system works properly. The asset management company has to bear all of the risk related to connectivity with T-STAR. We therefore made a management decision to use SBA."

INSTALLATION SCHEDULE

Okasan AM chose SBA in May 2012. The system was scheduled to be implemented in four phases, divided by asset class. In the first phase, the system for domestic and foreign equities went live on March 16, 2013. Mr. Ogashi explained, "NRI presented a release schedule to us and I approved it because it was the fastest schedule in my view... Before the system went live, I told NRI that we still had some operational concerns. NRI made special arrangements to spend several consecutive evenings teaching our personnel how to operate the system so that the release schedule would not have to be extended. NRI personnel were also present for all of our tests for connectivity with brokers' systems. Their assistance was very helpful."



In the second phase, the systems for currencies and margin trading successfully went live on July 5. When Okasan AM first decided to install SBA, margin trading was not included in the initial installation plan. It was subsequently added to the second-phase release. "Initially, we were not planning to have such an extensive system, but my colleagues had a strong desire to handle as many assets as possible with a single system. So we decided to include margin trading also," said Mr. Kato.

Mr. Ogashi added, "Even after the system went live, NRI team has come to observe on days when we have a lot of margin transactions. We can trust NRI because NRI understands our operations in depth."

Okasan AM is now preparing for the third phase (fixed income) and fourth phase (futures), respectively scheduled for December 2013 and March 2014.

FULLY UTILIZING STANDARD FEATURES

Okasan AM wanted to be able to use SBA to prepare investment plans (e.g., monthly plans of how much of which stocks to buy or sell). Because such planning precedes SBA's process flow, SBA was not equipped to prepare such plans as a standard feature. Developing a standard investment planning tool is a challenge because the investment planning process differs among asset management companies. Nonetheless, NRI added such a tool to SBA by collaborating with Okasan AM to design one that would be useful to any asset management company. "We wanted to not only be able to prepare investment plans but also to make SBA more user-friendly. We also hoped to incorporate the best of SBA's standard functions into our internal workflow. We wanted to work together with NRI to augment SBA's standard functionality with functions that are important to us and would be necessary for any asset management company."

Mr. Kato added, "I think it is sometimes necessary to use EUC to make system modifications, but users need assurance about functions created with EUC. Keeping legacy EUC technology and functions operational on a long-term basis is always dependent on retaining personnel with the requisite knowledge. Increasing the use of EUC means assuming more risk yourself. We therefore decided that the best approach was to have NRI expand SBA's standard functionality while improving our internal workflow."

After installation, NRI periodically upgrades SBA to the latest version free of charge. When a user requests a new function, NRI consults with other users and decides whether to add the function. Mr. Ogashi said, "With a shared-use system, I realize it is difficult to incorporate users' feedback into upgraded versions, but I hope that NRI meets users' expectations by continuing to do so."

POST-INSTALLATION BENEFITS

How is Okasan AM benefiting from using SBA for domestic equities, foreign equities, currencies and margin trading so far?



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Okasan Asset Management

Okasan Asset Management is the Okasan Securities Group's core asset management company. It will celebrate the 50th anniversary of its founding in October 2014. Okasan Asset Management manages investment trusts with an aggregate NAV of ¥1,355 billion as of September 30, 2013.

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“The matching function has improved operating efficiency more than we expected,” reported Mr. Ogashi. “When we place orders for domestic equities, for example, we immediately receive order execution notifications. At the end of the day, we receive trade confirmations from brokers. The orders, execution notifications and trade confirmations should of course all match up. With SBA, we can match them all with one click. It is good to be able to match all three sets of data easily. SBA has been very well received within our company. One foreign equity fund manager said, ‘It is convenient to be able to track actual fund flows by date and to check everything, including execution of foreign currency trades, by fund and by currency after confirmation of foreign equity trades.’”

EXPECTATIONS FOR SBA

“We want SBA to become a de facto standard like T-STAR. If SBA is adopted as the de facto standard, brokers would routinely take connectivity with SBA into account when designing their systems. This would make it easier for the sell side. In such an event, both the buy side and sell side would be able to benefit more from SBA's functionality,” said Mr. Kato.

NRI believes that users would benefit even more from SBA's functionality if SBA attains de facto standard status. NRI intends to continue upgrading SBA based on feedback from users in the aim of providing practical, state-of-the-art front-office support solutions.

For more information, visit: fis.nri.co.jp/en