Since April 2012, Nomura Asset Management (NAM) has been using the SmartBridge Advance order management system (OMS) for money market assets.

SmartBridge Advance (SBA) is the front-office full range multi-asset solution for buy-side fund managers and traders. SBA comprises four main functions: (1) position/cash management for fund managers, (2) OMS function for traders, (3) post-trade processing and back-office connection, and (4) compliance check. SBA automates front-office cash/position management and post-trade processing, which are considered to be among the most complex operations making it difficult to provide support via a technology system. The four functionalities are operated by a single platform, enabling fund managers, traders, and back-office personnel to monitor job progress. Each can be installed separately for specific asset classes (domestic equities, foreign equities, currencies, currency forwards, and money market assets). Users can therefore install only the components that they require. NAM installed the OMS, one of the four features, for money market assets.

**WHY NAM CHOSE SMARTBRIDGE ADVANCE**

NAM installed the money market asset OMS to comply with the changes for Japanese government bond shortened settlement cycles, migrating from three days (T+3) to two days (T+2) starting in April 2012. As a result of shortening the overall settlement period, special collateral (SC) repos (government securities lending transactions collateralized with cash) were shortened from T+3 to T+2, while general collateral (GC) repos (cash loans collateralized by government securities) were shortened from T+2 to T+1. These changes increased the post-trade reconciliation workload for trades involving money market assets. NAM was then able to automate post-trade reconciliation, which it had previously been doing manually.

“Every day, we trade 300–400 transactions in money market assets alone,” said Hideki Omoto, a Senior Trader in NAM’s Bond & Financial Instrument Trading Department. “After experiencing best execution for various products, including repos, gensaki repos, commercial paper (CP) outrights, CP gensaki repos, and call market trades, we previously had to check fax-based trade confirmations, input trades into our system, double check the input data, and reconcile with fund trustees, all within a short time to calculate daily NAVs.”
To meet the challenge of the shortened settlement periods, NAM installed SmartBridge Advance OMS for money market assets. Mr. Omoto explained the reasons behind SBA selection over a proprietary system, “By using an off-the-shelf product, we can reduce maintenance and administration expenses after the system is operational. Another major reason is that we can also reduce modification expenses when industry operating procedures change due to, for example, regulatory reforms.”

NAM considered overseas vendors’ products also, but, “We selected SmartBridge Advance because we felt confident that NRI, which is highly knowledgeable about Japanese trading practices and investment trust accounting and also has a proven track record with products such as T-STAR/TX, will promptly update SBA in response to any changes in trading practices or accounting standards,” said Mikio Negishi, General Manager of NAM’s Global Money Management Department.

**THE CHALLENGE**

The working group that studied the issue of shortening the settlement period for government securities was formed in September 2009. In late March 2011, it issued an interim report that led to the decision to implement T+2 settlement, effective from April 23, 2012. However, its final report, which included finalized specifications, was not published until November 30, 2011, less than six months before the switch to T+2 was scheduled to take effect.

User acceptance testing (UAT) began in March 2012, only four months after the final report’s issuance. NRI was able to release the module in such a short turnaround by starting early system development instead of waiting for the final specifications to be released. Specifically, NRI gathered information in advance from traders about various scenarios they might encounter on the job and incorporated their information into the system design. Through this approach, NRI was able to shorten the system installation timeline.
CASE STUDY

野村アセットマネジメント
NOMURA ASSET MANAGEMENT

WHAT IS SMARTBRIDGE ADVANCE?

SmartBridge Advance is an integrated order management system (OMS) that promotes straight-through processing (STP) by providing not only the OMS, but various front-office operations such as position cash management, compliance checks, automated post-trade management and management of sub-advisory funds. SmartBridge Advance is built with rich client technology as well as real-time messaging technology.

IMPLEMENTATION BENEFITS

Regarding the benefits of installing SmartBridge Advance OMS for money market assets, Mr. Negishi said, “By installing SBA, all team members are now able to monitor in real time the status of trades from order origination to order execution. The OMS has made it easier for the team to collectively monitor order execution status. We are now able to cover all trades, even those in the overnight call market, with SBA. By connecting SBA to our proprietary system, we are able to update funds’ cash positions and risk profiles in real time. Both accuracy and operating efficiency have consequently improved in our day-to-day fund management operations. I expect that these benefits will become even more pronounced when we scale up our trading.” By increasing the efficiency of fund managers and traders, SBA enables NAM to spend more time analyzing market action.

EXPECTATIONS FOR SBA

“We decided to use a service product because we have high expectations for system updates in response to changes in market practices, including a future transition to T+1 settlement. We value NRI’s ongoing attention to regulatory changes and continuous evolution of their solutions to meet the requirements,” agreed Mr. Negishi and Mr. Omoto.

Nomura Asset Management was established in October 1997 through a merger between Nomura Securities Investment Trust Co., Ltd., which developed and managed investment trusts, and Nomura Investment Management Co., Ltd., an investment advisory firm. Since its inception, NAM has pursued globalization of its fund management operations and customer base, aggressively expanding to the US, Europe, non-Japan Asia, and other overseas markets. With assets under management totaling over ¥25 trillion as of March 31, 2012, NAM is Japan’s biggest asset management company.

NAM proactively embraces IT to improve operating efficiency. Since over a decade ago, it has been using proprietary trading systems for equities, bonds, and currency trading.

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