

Profile

Client: Cortina Asset Management

Description: Institutional asset manager with domestic small cap equity focus

AUM: \$1.8 billion

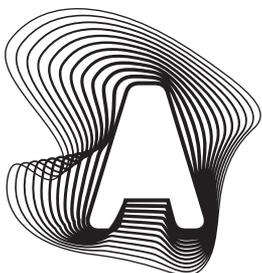
Solution

The reporting, searching and audit functionality within Advent's product suite for compliance:

- › Control access to views and functionality
- › Alerts for compliance violations
- › Patented audit trail
- › Easy access to information needed for compliance and testing
- › Consistent formatting of data
- › Meets books-and-records retention requirements

Benefits

- › Better preparedness for an SEC exam
- › Reduced risk of non-compliance
- › Faster, more thorough response to regulatory inquiries
- › Streamlined compliance processes and procedures
- › Improved client trust and confidence
- › Enhanced ability to document and demonstrate a robust, effective compliance program



“Advent solutions can empower the Chief Compliance Officer to manage their firm’s compliance program efficiently and accurately.”

Lori Hoch, Principal and Chief Operating and Compliance Officer,
Cortina Asset Management

Cortina Uses Advent Solutions to Strengthen Compliance

In an increasingly complex and demanding regulatory environment, compliance officers are hard pressed to get the timely, accurate information they need to monitor and manage risks effectively. Firms that use Advent solutions across the investment process are at a decided advantage—provided that compliance officers know what the products are capable of doing.

“There is functionality in all Advent products that can build a stronger compliance program,” says Lori Hoch, Principal and COO of Cortina Asset Management, who also doubles as the firm’s Chief Compliance Officer. “There is a wide range of reporting regularly used in the back office as well as operational capacity that can also be used effectively in compliance. Compliance officers should be aware of that functionality and how it can benefit their compliance agenda.”

Supporting Compliance Throughout the Workflow

The Milwaukee-based firm uses the full, integrated suite of Advent products throughout its operations to mitigate their compliance risk and be prepared for an SEC audit.

Each product plays an important role in addressing one or more compliance issues, as Ms. Hoch explains:

Adherence to client directives. “In our account opening process, we make a CRM entry in Advent Portfolio Exchange® (APX) via the Outlook email sync feature and deposit the client’s guidelines and contract directly to the portfolio. We also store that information in Tamale RMS.® This simple process ensures the client information necessary to prepare

the account for funding and trading is easily accessible to all APX users, portfolio managers and research analysts.”

Insider trading. “The advanced search functionality in APX gives us the ability to perform a quarterly review of our restricted security list. We have many securities that we restrict for a period of time after we receive information that makes the security ‘untradeable.’ We use Advent Rules Manager® to prohibit trading in those securities, but we always cross-reference in APX to ensure the rule was not by-passed at any level!”

Disclosures. “The Packager and Print Merge components of APX were an excellent solution for our required client reporting and distributions. We use one or both components to produce class action mailings, ADV offerings, annual mailings and privacy statements. We welcomed this manageable solution in APX to replace our previous system of mail merges, email attachments and excel spreadsheets for tracking.”

Forensic testing. “A top priority in any successful compliance program is regular testing of policies and procedures. The APX search functionality allows us to search and examine fairly complicated data and information. Using the search functionality replaced our cumbersome and time consuming system of running multiple reports and extracting data manually. In APX we can readily run searches and create reports to perform our checks and testing.”

Fair allocations. “The SEC will be interested in how you allocate opportunities among your clients and you will need to prove that any one client has not benefited more than any other client. We uncovered the audit trail report in Moxy® and thought it was per-

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“We uncovered the audit trail report in Moxy and realized it was perfect for allocation testing.”

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fect for allocation testing. We randomly select 15–20 trades a quarter and review the allocation method to ensure that it was pro rata and that no one manually edited the allocation method. In the past we would select 20 random trades by hand and tally the shares using excel. It was time consuming and held a higher risk for human error than we were comfortable with.”

Custody of assets. “The APX daily position reconciliation report is a reliable test for custody of assets. The report compares the positions our firm shows in APX with the custodian data that we receive through a daily Advent Custodial Data® (ACD) feed”

Adherence to fee agreements. “Advent Revenue Center® has a variety of reports that we use to confirm that our billing is accurate and consistent with the client-specific fee agreement. On a quarterly basis before billing clients, we run a fee comparison report which compares current invoice amount to previous quarters and calculates a percentage difference. If the market was up 10% at the end of a quarter and a client’s bill was up 25%, we would investigate immediately. Without Advent Revenue Center, this process was all completed manually.”

Adherence to portfolio strategies. “A big driver for adding Advent Rules Manager was the ability to do real-time market cap checking. We have minimum and maximum market cap restrictions on many of our accounts, and the market moves so quickly that a name could fall in or out of our market cap restrictions intraday.”

Documentation of decisions. “SEC rules require you to maintain any document that was the basis for an investment decision. Our portfolio managers used to keep notes in notebooks or paper files. There was no formal process for capturing the research.

Tamale has standardized that for us and we can show regulators that we have all that information stored in an organized manner.”

Documenting Risk Management

Because Advent solutions are critical to Cortina’s compliance program, the firm identifies them in its risk management documentation. “The SEC requires firms to have some mechanism for identifying firm risk. Typically it’s a risk matrix where they categorize risks to the firm and outline how they mitigate them. One thing I think is useful—and I think the SEC would find useful—is including the Advent reports used to monitor specific risks in the matrix.”

Doing so serves two purposes. “It shows the SEC that you really are testing and take it seriously. And for business continuity, it’s a good way to transfer knowledge if a compliance person leaves.”

The Value of Integration

While Advent products offer individual functionality that supports compliance, it is equally important that they all integrate and communicate with each other. Commented Ms. Hoch, “In order to examine and present data consistently, it is much easier when the systems are from one provider rather than multiple vendors.”

Ms. Hoch believes the answer is that all departments are aware of the systems in place and familiar with how they work together. “In many firms, compliance professionals may not use Advent products on a regular basis as an operations person or trader would, so they are unaware of what a great resource they are. Compliance professionals should explore the Advent products that are available—the value is undeniable.”

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