

Cloud hosting can help improve system agility

Interview with Roger Woolman

Security concerns will always occupy the thoughts of any hedge fund COO, given the extent to which the cyber threat landscape has evolved in recent times. This can present a challenge when determining how much IT budget should be allocated to keep a hedge fund's data safe and secure. However, advances in cloud technology mean that a more cost-efficient, robust solution now exists for COOs and CTOs to consider.

Given that cloud-enabled hosted solutions are becoming more popular, this is leading not only to cost savings in relation to ongoing software upgrades but also improved security controls as well. At SS&C Advent, its cloud-enabled solution, Advent Outsourcing Services, gives hedge funds the opportunity to host their core systems in audited, accredited data centres with strong security measures and SSAE16 certification.

"Data centres are very secure these days," says Roger Woolman, Business Development Director, Asset Management & Alternatives at SS&C Advent, "so there is less of a cybersecurity concern for hedge funds. Ultimately, the cloud model is becoming standard best practice from a security and operational efficiency perspective. I would estimate 70 per cent of our new clients take a hosted version of our private cloud offering."

Managers can avail of a range of hosted system tools on AOS including: Advent Portfolio Exchange® or Advent Geneva® for portfolio management, Moxy®, a trade order management system and Advent Rules Manager® for trading compliance among others.

Woolman explains that an a la carte approach is taken to hosting, where SS&C Advent can provide an array of services depending on a manager's individual needs.



Roger Woolman, Business Development Director, Asset Management & Alternatives at SS&C Advent

This could evolve into co-sourcing or full outsourcing with operational input from the SS&C Advent team.

"As AOS is fully maintained by us, managers can add additional outsourcing elements and make significant cost savings in terms of middle and back-office headcount. When it comes to outsourcing, it ultimately boils down to total cost of ownership," suggests Woolman.

Disaster recovery and business continuity planning is a key focus of investor due diligence questionnaires, as investors look for assurances that managers have the proper controls and processes in place to mitigate risk.

In that regard, hosted cloud solutions like AOS are proving to be hugely beneficial, with Woolman stating "Our core competency is data protection, with respect to both our own data and that of our clients."

SS&C Advent has data centres across the world, and such is their level of security, hedge fund COOs and CTOs have become more confident handing that over to their service providers, "which wasn't the case a few years ago when hedge funds still had data protection concerns with the cloud," adds Woolman. "They are happier and more confident to outsource data protection to us. It helps with their disaster recovery and it is part of our expertise."

As with any hosted solution, it is only as good as the technology backbone supporting it. SS&C Advent is well aware of this, investing roughly 20 per cent of its global revenue into R&D.

"The aim is to be self-servicing and to achieve that you need to be operating in the cloud, with the right technologies in place for it to work.

"A big part of our current R&D focuses on this self-servicing model for clients. Advent

Geneva® now has web-based work spaces, which allows us to interact with clients' specific asset classes. Clients can manage more workflows through one screen or one user interface, rather than hopping from one system to another. These web-based work spaces are a good example of next generation technologies we've introduced for managers," explains Woolman.

Large established hedge fund managers need agile systems to support them as they build out new investment strategies and invest in new markets and asset classes. Their legacy IT infrastructure can present limitations, and introduce multi-system complexity. This places added pressure on their IT infrastructures, leading to operational inefficiencies, increased overheads and a growing inability to service clients properly.

To overcome this, they need an overlay solution that can work with those underlying systems and reduce the demand on data management, aggregation, portfolio attribution and reporting grow exponentially, without managers having to completely reinvent themselves.

"The layering principal as it applies to the cloud, without having to tear out the plumbing of one's existing IT infrastructure, has helped larger managers reduce costs," comments Woolman. "In terms of demonstrating those savings, when we meet with new clients we have to put a cost proposal together, and we also have to consider the value statements that we make or the benefits we describe when selling our software. If we are selling a hosted or cloud version of the software, how would that compare to the cost of it being an on-premise solution?"

"Over the years, there has been a trend towards system consolidation and that has made the cloud even more appealing to managers, as it means they face fewer integration challenges, or issues with systems overlapping. The cloud has become a de facto solution for a lot of fund managers now."

Simplification of business, system consolidation and the desire to reduce the total cost of ownership: these are all key drivers behind cloud adoption.

The agile and interactive nature of the cloud has allowed managers to benefit from



self-servicing. They can better interact with systems, using mobile devices, etc, but in terms of the biggest benefit, using a hosted solution has meant that managers can now save money by limiting the number of middle and back-office headcount. Repetitive tasks that don't need any discretionary input, such as loading trades and doing reconciliations, are well suited to the outsourcing model.

It can be easy for technology groups to get carried away and offer tools or solutions that only benefit a small number of clients. Ultimately, there has to be a clear use case that best responds to managers' changing needs.

Technology is more of an enabler than a business driver for SS&C Advent which has allowed it to service clients and deploy software in a different way.

The drivers for cloud technology use among fund managers are varied but reducing the total cost of ownership, with respect to software and running costs, has become a demonstrable benefit.

"I think for new managers especially, a hosted solution should be the de facto choice. Ultimately what they want to do is get the benefit of a system like Advent Geneva®, but without having to take on the implementation and ownership of that system. The costs associated with that deployment are also beneficial to new managers. They want high quality core data for their front-office systems and they also want to appeal to investors.

"In that sense, a hosted solution is a no brainer," concludes Woolman. ■