

Case Study “Automated Gap Provision”

Conducted Nov 20th to Nov 24th 2006 for a Reference Customer based on its actual portfolio.

Due to multiple reasons (population, methods of processing, delays, transmissions, valuation rules ...) data vendors are not able to produce always all the information needed for all instruments administrated by a given customer.

For some business areas, as for fundamental data or cash-flows and corporate actions, delays are not too critical, provided that information will be delivered within a reasonable time frame, generally within 24 hours.

On the other hand, price information is vital to be available within given cut-off times during the day, either at a single occurrence or at multiple delivery points.

Thus exceptions within the daily valuation files (data not available, faulty, instruments not listed / quoted) are typically handled manually, i.e. prices are retrieved from an alternative source (display system) and manually encoded.

The “Gap provision” Service of CETRELSecurities automatically detects daily pricing gaps in a first stage, than sends the gaps as a selection file to a specific data provider, retrieves the data and produces a completed output for the end user, containing as less as possible lacks of prices.

- Preliminaries

- Service Description



The customer is taking daily valuation prices from its primary information provider for about 10.000 securities

As a daily average, 800 to 1.000 instruments are not provided with actual prices and thus are falling on the exception lists

These exceptions are manually cleaned up, i.e. an alternative price is looked up in a display system and entered into the DB

The exception handling thus produces a yearly volume of 200.000 to 250.000 manual transactions (based on 250 trading days)

If the average time for a given look-up transaction is assumed to be about 30 seconds, the total pertaining yearly workload would be in a range of 208 to 260 FTE days. Based on an average per employee total cost of about € 80.000.- p.a. and 220 working days, the related minimum cost would be between **€ 75.636 and € 94.545 p.a.**

For the Case Study we've transmitted the daily file of unquoted securities to a second provider for 5 consecutive work days. This provider was able to provide prices for 61% to 73% of the reported exceptions, i.e. for an average of **67% of solved gaps**, 536 to 670 instruments were provided without further manual intervention.

This means a delta of 134.000 to 167.500 transactions less, and bottom line a spare of 139 to 174 FTE days corresponding to costs of € 50.545 to € 63.272

Beside the labor costs, one should not neglect the potential reduction of operational risk related to human intervention and the pertaining capital guarantees requested by CAD III, the figures however are not easy to estimate, but the point in itself is of major concern to the customer.

The Automated Gap Provision Service and additional data costs for an average of 800 instruments serviced through an alternative data source compared to the costs of manual correction would allow a **reduction of 38% to 50% of current spending** on the one hand and **further increase the STP rate and secure** the valuation processes.

- Case Study Volumes

- Associated Costs

- Cost Reductions using the service

- Cost Synopsis

