

# HAZELTREE SECURITIES FINANCE™ CASE STUDY

## **The Challenge:** Efficient Counterparty Management and Securities Finance Management

A large global asset manager with a substantial long-short equity trading operation -- active in several of the world's primary financial centers -- was operating with limited transparency (primarily around borrow costs, wallet share, and detailed exposure) into its relationships with trading counterparties and with a manually intensive process for borrowing securities.

With a limited dedicated treasury staff, monitoring of counterparty costs was only done periodically and was performed manually on spreadsheets. As a result of its independent account structures and decentralized counterparty relationship management, the firm was bearing the costs of an inefficient process for managing the use of leverage and short-selling.

The firm lacked an automated workflow process for locating short securities as part of its portfolio trading activities. Since operations staff were required to separately log on to disparate portals, wait for responses, then subsequently book updates into other internal systems, the process for sourcing securities was very inefficient and labor intensive. Additionally, there was no easy way to track rates and re-rates from their brokers.

Due to a lack of internal treasury expertise and competing priorities for technology development, the firm had not attempted to build counterparty management or short-borrow processing solutions internally, relying on one-off spreadsheets with all the known issues around data integrity, formulae integrity, security, audit trail, time relational roll-back and so forth.

## **The Action:** Hazeltree Integrated Treasury Management

Working in coordination with the teams responsible for counterparty management, trading support and the internal technology division, Hazeltree installed a treasury management solution to address the challenges noted above, integrating with existing systems, including Linedata LongView OMS™ and with internal single-sign-on "security vault". This resulted in an overall streamlining of processes to reduce cost, improve timeliness, improve confidence in information being used for decision making, and overall reduce operational risk, while providing virtually unlimited scalability to support future growth.

Hazeltree Securities Finance™ enables the firm to gain visibility and control over securities borrowing activities through a single portal. Delivering an integrated monitoring dashboard and workflow engine with direct links to brokers and real-time interfaces to Linedata LongView OMS streamlines the trading workflow with an easy way to locate shorts and gain transparency across rates and eliminate inefficiencies.

**AUM:**

**\$120+ billion**

**Type:**

**Asset Manager**

**Active Prime Broker Relationships:**

**8**

**Full-time Treasury Staff?**

**No**

The seamless data normalization of Hazeltree Counterparty Metrics™ gives the firm visibility into all counterparty-related costs, including commissions and financing, and gain a daily monitoring tool that analyzes the “balance of trade” with counterparties. In addition, the firm gained a solution that enables them to view and compare costs with external counterparties and to enable a more productive ongoing “win-win” dialogue with counterparties.

The firm considered building a solution internally but determined it to be cost and time prohibitive.

### **The Result: Over \$2MM in Annual Cost Savings With Greater Scalability, Visibility, Capability and Control.**

The Hazeltree Treasury Management solution enables the firm to open an important new window into its relationships with trading and financing counterparties and establish best practice counterparty management. Also, the firm transformed its manual processes, enabling its treasury function to better understand the firm’s exposure to each of its counterparties while easily analyzing and optimizing their associated costs, resulting in significant savings and risk reduction.

Substantial cost savings were realized through Hazeltree Securities Finance which enabled the firm to easily identify discrepancies in borrow costs. This resulted in savings of over \$2 million annually, which the firm views as a direct enhancement to the performance of their funds. Along with efficiencies gained through the automation of short locates with Hazeltree Securities Finance, the firm eliminated manual data aggregation and analysis of finance cost reports through Hazeltree Counterparty Metrics, which saved approximately 1 FTE, enabling future capacity without a commensurate increase in staff.

#### **Benefits**

- › **Reduced counterparty exposure and increased transparency**
- › **Reduced borrow costs and increased savings of over \$2MM per year**
- › **Increased operational efficiencies**

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#### **About Hazeltree Counterparty Metrics™**

Hazeltree Counterparty Metrics reduces your counterparty risks by effectively tracking your assets across your counterparties and providing comprehensive counterparty exposure reporting. Hazeltree Counterparty Metrics enables you to effectively manage your counterparty relationships with a detailed scorecard that aggregates all interactions to transparently and easily compare prime broker costs by commissions, securities financing and net interest on a year-to-date, month-to-date and daily basis, balance sheet consumed and wallet share analysis.

#### **About Hazeltree Securities Finance™**

Hazeltree Securities Finance enables you to seamlessly manage stock borrow and lending rates, providing transparency across counterparties to assess current and indicative rates, manage your inventory, and reconcile your positions. Hazeltree Securities Finance lets you locate securities available from counterparties and compare rates to select the best projected revenue options. Hazeltree Securities Finance helps you understand true P&L by allocating borrowing costs to individual positions and integrate into your G/L. It also helps you manage short positions across prime brokers (general collateral and ‘hard to borrows’) as well as manage pre-borrow inventory. Hazeltree Securities Finance empowers you to optimize returns effortlessly.