

HAZELTREE TREASURY MANAGEMENT CASE STUDY

The Challenge: Effective Cash and Collateral Management in an Increasingly Complex Environment

A large hedge fund with offices in several of the world's major financial centers strained the practical limits of its internal cash and collateral management systems due to the expanding size and complexity of its operations. Over time, the firm made few attempts at building better cash and collateral management capabilities internally, none of which adequately addressed its challenges.

While the firm had full-time treasury staff and a well-established treasury function, cash balance monitoring was done manually through the creation and distribution of spreadsheets, and was not done on a daily basis. As a result of its globally disparate trading strategies and manual cash management processes, the firm experienced unnecessary and unintentional debit financing costs across its portfolio, or cash slippage.

On the collateral front, expanding trading strategies drove steady growth of the number of asset types and counterparties that needed to be managed. Over time, this situation resulted in a daily "best efforts" process to monitor and manage collateral calls across over 100 counterparties and approximately 15,000 positions.

For both cash and collateral management, the lack of scalability and inconsistent execution of this process resulted in an erosion of the firm's commitment to strong risk management and controls across all key treasury processes, at best sub-optimizing its liquidity position and at worst (during stressed markets) leaving the firm exposed to a potentially disastrous liquidity squeeze. Importantly, the combined inefficiencies were costing an estimated 25-40 basis points annually.

The Action: Hazeltree Integrated Treasury Management

Working in tandem with the firm's global treasury staff, Hazeltree configured its treasury management solution to address these challenges, integrating with existing internal and external systems and data feeds and processes to reduce cost, increase transparency, improve timeliness, improve confidence in information being used for decision making, and overall reduce liquidity risk, while providing virtually unlimited scalability to support future growth.

Hazeltree Cash Manager™ enables visibility and control over all cash balances, in all accounts, across all currencies. Hazeltree's ability to acquire and normalize external account data from brokers, banks and other counterparties makes it easy to optimize liquidity, execute daily wires and make cash movements to eliminate slippage.

AUM:

\$28 billion

Type:

Multi-strategy

Prime Broker Relationships:

11

**OTC/Repo/
Futures Agreements:**

110

Full-time Treasury Staff?

Yes

Hazeltree Collateral Manager™ enables visibility and delivers an automated workflow to handle all collateral calls. Importantly, the firm gains a solution that enables them to validate calculations derived from their internal books, and compare those to external counterparty collateral statements through a single portal. Hazeltree also provides seamless integration with the firm's AcadiaSoft messaging workflow system.

The Result: Over \$1.4 Million in Cost Savings with Greater Scalability, Visibility, Capability and Control

The Hazeltree Treasury Management solution enables the firm to get out from under its outdated and manual processes to establish its treasury function as a strategic growth asset with a direct impact to fund performance.

The firm's funding slippage was eliminated by Hazeltree Cash Manager™ which enabled the firm to greatly improve daily cash optimization by easily identifying and collapsing its undesired debit balances by using offsetting credit balances. This results in savings of approximately \$1.4 million annually. The inefficiency of the firm's collateral management process was eliminated by HazelTree Collateral Manager, which saved over 0.5 FTE in workload, an opportunity gain by increasing future manpower capacity without a staffing increase. Lastly, with Hazeltree Collateral Manager the firm disputes approximately 50% of their daily margin calls and identifies and recalls about 70% of its overcollateralized margin, resulting in freeing up valuable investment capital that would have otherwise been encumbered as collateral posted to external counterparties, which helps reduce the firm's exposure to its counterparties. The firm views the combined benefits of installing Hazeltree as "transformative."

Benefits

- › Increased investor confidence
- › Reduced operational costs by over \$1.4MM annually
- › Reduced counterparty exposure
- › Improved cash movement controls
- › Reduced operational risks
- › Increased transparency

About Hazeltree Cash Manager™

Hazeltree Cash Manager is a cash management solution that aggregates balances across your counterparties in one concise dashboard. Hazeltree Cash Manager delivers flexible analytics and rules-based recommended actions enabling you to move positions across counterparties to free up cash. Hazeltree Cash Manager includes full wire processing and approval workflow required and tracked prior to executing actual wires through available protocols, including SWIFT network, secure file transfer protocols and letters of authorization. This advanced cash management solution helps effectively manage cash across multiple currencies and includes FX hedging tools to suggest and aid in foreign exchange trades.

About Hazeltree Collateral Manager™

Hazeltree Collateral Manager gives you the clarity and analytical firepower necessary to correctly identify, analyze and value collateral. Hazeltree Collateral Manager aggregates your counterparty data along with your portfolio data to track and manage margin requirements across your counterparties. Hazeltree Collateral Manager lets you identify over-collateralized positions to effectively recall and redeploy your collateral. Additionally, this collateral management platform independently calculates margin requirements so you can compare to your counterparty margin calls, allowing you to respond to or dispute each. Hazeltree Collateral Manager handles all collateralized derivative products including listed, cleared, ISDA, GMRA, FX options, interest rate swaps, CDs, equity swaps, swaptions and repos.