

Creating cloud benefits

Interview with Jason Connelly

Over recent years, the continued popularity of passive funds has been a key factor in why hedge fund managers have seen their margins shrink, not to mention the increased costs of regulatory compliance. Many are looking to technology to improve their operational efficiency and for third party vendors to simplify things for them.

"To help control fees, hedge fund managers are outsourcing non-core functions, including the risk services; not risk management, but the risk calculation engines," says Jason Connelly, Managing Director, Business Strategy & Execution, Axioma. Connelly formerly worked at D.E. Shaw and MSCI Analytics, where he ran the global managed services business. "We've had a number of recent wins where managers have come to us and asked, 'We've been doing this in-house since day one, what can you do for us on the risk calculation side?'"

"It goes deeper than just calculating the numbers, however. They want speed and scale, and that's where the cloud comes in. We can provide a risk and performance service that will scale with them, allow their research teams to do back-testing on demand without having to connect their own data centres and they can plug into different pieces of Axioma using Axioma's APIs."

Clients can configure Axioma's multi-asset class risk management system and the reports it generates in ways that are consistent with their own assumptions and viewpoints, using their own inputs rather than those of a third party. Every module on Axioma's platform is available through an API. Clients can plug in to a stress-test module, for example, or alternatively, Axioma can package up solutions to solve a specific pain point for a client. As Axioma's slogan states, 'Flexible is better'. Connelly says that this API-first approach provides a deeper, tighter integration.

"We want to understand how clients are getting data collected and sending it to us because we're always focussed on the total cost of ownership. If it's painful to access our system, clients are less likely to continue using our services. We want to be



Jason Connelly, Managing Director, Business Strategy & Execution at Axioma

fully integrated into our clients' ecosystem. We are making it as easy and as cost efficient as possible to do risk management, operationally speaking," explains Connelly.

Whilst outsourcing has been an obvious trend the last few years, technology has improved so much that the pendulum has started to swing back the other way. Some of the bigger hedge funds want their cake and eat it; that is, they want to enjoy the benefits of outsourcing and also feel like they have the right tools internally to optimise different workflow tasks in the front and middle office. In that regard, Axioma provides clients with tools to make them more self-sufficient.

"None of our clients are ever going to outsource risk management. They still need to understand where the risks are coming from and how to remediate that. Managers want full transparency and ease of use so we are creating visualisation tools where start of day, they see a dashboard and they can link back to the incoming data if necessary.

"We do the heavy lifting packaging our expertise through technology, and we are further giving them the necessary tools to take control of their workflows and optimise their risk management processes. Clients have front and middle-office connected risk and return, data consistency, and one set of numbers. That operational efficiency allows managers to focus on their core tasks," outlines Connelly.

As Axioma has built for the cloud natively over the last seven years, they have been able to optimise it and meet even the stiffest of challenges. One manager needed a large number of securities by the start of day. Connelly says that they were able to achieve this, just in time. The client was happy but then they said, 'Can you do it in half the time?'"

"We took a look at how we were running on the cloud, looked at the client's positions and were able to fine tune it, such that we did in fact cut the time by 50 per cent, at no increased cost to us or the client. Their response was, 'We didn't think this was possible!' The cloud has had some enormous benefits to our clients," concludes Connelly. ■