

Riding Out Tough Markets

2007 was without doubt an “Annus horribilis” for the investment industry – sub-prime meltdowns, the liquidity crunch and then the run on Northern Rock haven’t helped many people in the business out. Things certainly haven’t slowed down in 2008.



**Aquin's COO
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Société Générale has announced a loss of 5 billion euros through equity derivatives trading prompting an investigation by the French regulator and speculation on the break-up of the bank in a takeover deal. Credit card provider Egg has announced the cancellation of 160,000 customers’ cards based on their risk profile, prompting challenges from customers who believe they are being penalised for being unprofitable rather than risky. In the US, Merrill Lynch are under investigation for allegedly selling securities backed by sub-prime mortgages to Springfield City, something city officials claim was not correctly explained to them.

The unravelling of trades and the associated cash flows of complex products will be ongoing and market volatility is likely to continue with economic information provoking significant movements in often predictable ways as the threat of recession hangs above the US. All players will have to start considering their relationships and looking to secure their positions against the choppy waters. Although IPOs are predicted to fall the potential for M&A has significantly increased as companies look to shore up their position.

This all indicates that regulators will be busy over the next 12 months. On the 23rd March the new EU directive on Eligible Assets (2007/16/EC) has to be adopted into national law and on the 23rd of July it will begin to apply. Aquin’s LawCard® team has been busy ensuring that all our LawCards® reflect the changes and subscribers to the LawCard® service will automatically receive the necessary updates.

Sovereign-wealth funds are growing in size and are currently receiving a lot of attention (the Economist recently led with the headline “The invasion of the sovereign-wealth funds”). The Abu Dhabi investment authority is currently managing almost a trillion dollars and during 2007 the China Investment Authority has grown in size from zero to \$200 billion. Their reputation is not shining and any move to be more transparent would be welcomed by the corporate world. We believe Aquin’s Fund Warehouse - DVS is a perfect platform for such institutions, enabling them to consolidate information from multiple systems and provide reporting capabilities in any chosen media (PDF, Excel, GUI, Web for example).

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In the Hedge Fund world we can see a noticeable move toward introducing a risk & compliance framework. The Hedge Fund Working Group (HFWG) comprising 14 members (including Man Group, RAB Capital and Gartmore) published their final report on the 22nd January and it outlines a list of voluntary standards their members will adhere to, compliance and risk management being two vital elements of this. Not surprising really considering the recent shift in the typical investor profile of a hedge fund. More and more pension funds are buying into hedge funds to increase overall performance and these institutional investors will require that a hedge fund manager can prove that they are monitoring the risks adequately. What was unthinkable a couple of years ago - a hedge fund hiring a compliance officer is now common place and these officers need to be supported by a highly flexible compliance & risk monitoring solution, which is where Aquin’s MIG21 (recently voted “Best Technology Solution 2008” at the Complinet Awards in London) fits in perfectly. Combined with the Order Management functionality of MIG21’s sister product - ORS, a compliance officer can ensure full compliance on an Ex-Ante (pre-trade) and Ex-Post basis.

It will be a tough year for Custodians and Depository banks, as margins become tighter and the competition fiercer. Solutions like DEBAS enable such third party administrators to cut costs and increase back office operational efficiency. Scaling productivity by leveraging from Aquin’s solutions offering enables banks to take on more business which would have previously been difficult to impossible.

One thing is clear, it certainly won’t be a boring year and as usual Aquin will be staying ahead of the competition with its best-of-breed investment management solutions. The ongoing commitment to investing in new product offerings and to enriching functionality together with the growing markets’ desire to transparently manage risk, new regulations and operational efficiency will contribute to Aquin’s plan to continuously and profitably grow the company, further scaling out across new territories.

We believe that with our assistance, you can weather the storm into calmer waters. **■**

