



CASE STUDY

Broker Commissions

Proto Financial®

CLIENT TYPE

Hedge Fund

PRIMARY USER

Director of Operations, Head Trader

LOCATION

New York, NY

KEY BENEFITS

- Low cost & IT impact of solution
- Up-to-date, complete information
- Flexibility to handle 100% of edge-cases
- Trend analysis improves forecasting

DATA SOURCES INTEGRATED

- Macgregor XIP (OMS)
- Built-in tables for data mappings
- Bloomberg Professional

USER TESTIMONIAL

"Proto helped us quickly display the data in multiple formats and easily switch between the different views to help us better understand our commissions paid. Additionally, it allowed us to quickly identify incorrect data that was fed into our order management database."

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A Solution to Track Budget vs. Actual and View Trends in Trading Commissions Paid to Brokers

The Need

A hedge fund predominantly focused on foreign equities needed accurate reporting of their trading commission activity. They needed the flexibility to see total broker commissions normalized to USD amounts and broken out by broker, country, region and hard/soft dollar totals. The raw commission data was available from their order management system, Macgregor XIP. However the reports they had written in Crystal Reports could not perform the data cleaning & analytical steps to produce the desired results. Consequently it was necessary to dump the transaction data into Excel to clean it, enrich it with market data & qualitative mappings, and ultimately calculate the commission subtotals.

Proto's Solution & Benefits

Proto made it possible to build a complete commission management and reporting solution without modifying existing IT systems. The dashboard provides summary reports, trend analysis, and drill down to individual trading commissions instantly. Specific benefits include:

- Speed of delivery & low cost solution: Proto's ability to connect to existing, disparate systems combined with its analysis and dashboard capabilities cut the estimated cost of developing this custom solution by a factor of more than 5x.
- Up-to-date, correct, and complete information: Proto's solution gives the Director of Operations the information he needs on a daily basis to make better trade allocation decisions that meet the fund's relationship objectives with hard and soft dollar brokers.
- Flexibility to handle all analysis exceptions: Certain brokers are used exclusively for soft dollars, while others have a fixed percentage to allocate between hard/soft dollars. Some transactions need to be filtered out, and most security IDs need to be altered to work with Bloomberg. A partial solution would require that certain steps in the process still be completed in Excel, but Proto's functional depth and flexibility handled every exception, rule and analytical need.
- Interactive trend analysis: Proto's solution provides the ability to graphically present, explore and drill into specific transactions and individual broker activity relative to total commissions paid during any period. These trends and specific examples help the fund make fact based adjustments to budgets and more accurately estimate future commissions in regions where their trading volume has changed.