

CASE STUDY

Intermediary Oversight: A Case Study in Enhanced Efficiency

Client Challenge: In Need of an Oversight Upgrade

The evolving nature of risk in a dynamic environment and an industry of rules and regulations has led to an increased investment in oversight operations by fund companies resulting in an industry-wide exploration of advanced solutions and services.

A leading investment management firm sought a controlled approach to its intermediary oversight program, including an automated solution for intermediary fee management and expanded comprehensive reporting capabilities. The third-party processing application the firm had been utilizing to manage its intermediary fee payments lacked sufficient audit capabilities and means of transparency.

The firm was already a longtime client of recent Delta Data acquisition National Quality Review (NQR), having utilized NQR's Intermediary Insight service for nearly 10 years to efficiently capture, analyze, and draw conclusions from the details of intermediary audit reports and other oversight documents.



CLIENT PAIN POINTS

Need for Efficiency and Expediency

Manual logging of expected invoices and tracking pending agreement changes caused inefficiencies, while physical documents and other labor-intensive processes hindered the firm's efforts to streamline workflows

Disparate systems with data elements spread across multiple platforms led to a time-consuming process to produce reports

Insufficient Audit Trail

Inadequate audit capabilities lacked easy access to historical records with all data points, tasks, and transactions, posing regulatory and financial risks

Lack of Transparency

Lack of transparency in fee calculations that didn't provide a detailed accounting breakdown of certain intermediary fees charged to the underlying funds

Comprehensive Intermediary Oversight Solution



Intermediary Insight

- In-depth review and analysis of intermediary control documents by trained, objective experts in accordance with the ICI's FICCA framework, a valuable tool to assist the fund in mapping functions performed by the intermediary to appropriate oversight tools and ensuring coverage of all applicable areas
- Audit report analyses enable the firm to target its follow-up oversight activities to only high-priority controls



Fee Management

- Automated solution verifies accurate fee payments by comparing contractually based fee calculations against distribution partners' invoices



Integrated Reporting & Analytics

- Brings in crucial data points from all silos of the firm, including Fee Management and other oversight activities, into one view to quantitatively determine how intermediaries are performing
- Saves time by automating management and board reporting with increased accuracy and efficiency
- Provides document repository with easy retrieval of counterparty agreements, invoices, and other important documents

Implementation Journey

The conversion process was a collaborative experience between the Delta Data Implementation team and the firm's Oversight team that involved training sessions, understanding the correct include/exclude criteria for fee agreements, fee setups, invoice field mapping, and validation/reconciliation of invoices. Ultimately, the implementation included over 140 fee setups.

The Delta Data team, with its vast implementation experience and industry expertise, applied its well-established and intricate knowledge of distribution partner invoices and validation processes toward helping the firm deploy solution functions and enhancements that best met the needs and parameters of the firm's oversight program.

Upon gaining a greater understanding of the capabilities and functions of Delta Data's Fee Management solution, the firm pivoted from seeking to replicate its previous intermediary fee payment process and applied the Delta Data team's suggestions of best practices and tools to simplify and increase efficiency of its intermediary oversight processes.



The flexibility of Delta Data's Fee Management tool allowed the firm to establish system functionality that exceeded its initial expectations and processes.

Results with Delta Data

Improved compliance, efficiency, and transparency in the firm's oversight program with an intuitive portal and intermediary insights to better manage oversight activities.

ENHANCED OPERATIONAL FLEXIBILITY & EFFICIENCY

- ✓ Delta Data's Intermediary Insight provides point-by-point comparisons where every control detail is captured and centralized to allow for quick identification of exceptions and gaps, **eliminating time previously spent by the firm sifting through audit reports**
- ✓ Automated solutions and managed services **maximized efficiency** by reallocating resources and personnel to other high-priority oversight activities
- ✓ Payment advice functionality automated the transfer of payable data into the firm's Accounts Payable platform, resulting in a **straight-through, efficient validation process** and **reduced time spent on manual processes**
- ✓ **100% elimination of paper** in the invoice process through the online approval process and file integration with Delta Data's Accounts Payable system

INCREASED TRANSPARENCY & AUDIT CAPABILITIES

- ✓ Delta Data's Fee Management solution provides details of the underlying calculations for how expenses are allocated across the organization, allowing for **increased transparency** in the firm's reporting
- ✓ Automated dashboards and integrated reporting and analytics features enhance the firm's audit capabilities by tracking assets and distribution fees across the dealer network, **reducing the firm's exposure to regulatory and financial risk**

CUSTOMIZED & CENTRALIZED OVERSIGHT WORKFLOW

- ✓ Enables the firm to consolidate the critical functions of its intermediary oversight program in a **consolidated portal** with configurable dashboards
- ✓ Deploying Delta Data's automated solutions **reduced risk** by eliminating manual processes with customized workflows for all counterparty interactions at every stage of the intermediary lifecycle
- ✓ Added enhancement allows the firm to link agreement documents to corresponding fees within the Fee Management platform, facilitating an **easier and centralized fee validation and approval process** for senior management

STREAMLINED & INTEGRATED BOARD REPORTING

- ✓ Standardized and automated management and board reporting saves the firm's oversight team from using additional time and resources while **enabling more accurate and timely reporting**
- ✓ Automatic reasonability checks ensure that reporting data is consistent and complete, **eliminating the need for manual verification**

DOMAIN EXPERTISE

- ✓ Delta Data's team of industry experts provided the firm with a wealth of domain expertise/knowledge and best practices while implementing these oversight solutions, giving them **a trusted partner** that helped increase operational efficiency and improve performance

CONCLUSION

A Partnership Powered by Adaptability

Intermediary relationships are complicated arrangements and do not lend themselves to one standardized type of oversight program.

A lean and adaptable approach to a changing industry, coupled with a willingness to explore bespoke solution enhancements and functionalities were critical to the successful implementation of the firm's oversight program. With a team of industry experts, Delta Data was able to offer not only solutions, but also comprehensive domain expertise to support the firm.

This collaborative partnership resulted in the firm's ability to manage fee payments with greater efficiency and monitor intermediaries more effectively, simplifying its relationships with the firms that distribute its funds.

