

VIEWPOINTS

A Charles River Conversation



Migrating & Managing Investment Technology in the Cloud

A CHARLES RIVER CLIENT DISCUSSES BEST PRACTICES AND BENEFITS



A State Street Company

GROWING REGULATORY BURDENS, SHRINKING PROFIT MARGINS, AND RAPIDLY CHANGING MARKETS

are forcing buy-side firms to rethink their technology solutions and deployment options. Partially in response to these challenges, firms are increasingly migrating their front and middle office systems to the cloud. Cloud deployment provides a number of key benefits, including frequent software upgrades, high quality data, predictable costs, and the latest cybersecurity.

Charles River recently asked Andy Powers, Director of IT at Polen Capital to share his experience with Charles River in a cloud-based, Software-as-a-Service (SaaS) environment.



ANDY POWERS

Director of IT, Polen Capital

As Director of Information Technology at Polen Capital, Andy manages the firm's technology, data and analytics teams. He is also a member of Polen's Operating and Risk Committees. Prior to joining Polen, Andy served as Senior Vice President and Managing Director of Information Technology at Hansberger Global Investors.

[Tell us about your firm.](#)

AP

Polen Capital is an independent investment management firm that is completely employee controlled. We have two teams managing around \$20 billion in AUM – a large company growth team in Boca Raton and a small company growth team that we recently added in Boston. Within the large company growth team we have three strategies: domestic, international, and global.

We were founded in 1979 and currently have 58 employees. In the past three years, we've doubled in size people-wise and tripled our AUM. That rapid growth was the main motivation behind moving to Charles River. We went live in February of 2016, after a six-month implementation.

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Why did Polen Capital choose Charles River SaaS?

AP Moving to the SaaS model really is a best practice. The advantage that you get from cloud sourcing – being able to maintain your focus on your core competence – really makes a lot of sense. From a business perspective, we needed the ability to support new strategies.

Global, international, and small company growth have all been added in the last three years. We also had a very rigorous, but relatively manual control process, so Charles River gave us that platform to automate compliance checking and client guideline validation. And the modeling capabilities to handle rebalancing, whether it's daily rebalancing, or block trading type of activities – was another important consideration for looking at Charles River.

From an IT perspective, when I look at SaaS, to me it's all about risk mitigation. You can think about IT risk the way George Westerman describes it, where it's a pyramid. You have availability risk, access risk, accuracy risk, and agility risk. If the system's not available then nothing else matters. After that, if the system's not secure, nothing else matters.

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If you talk to the risk management people at Charles River, and really dig into the controls that they have in terms of disaster recovery and business continuity, and cybersecurity, it's very impressive, and there's no way – as a 58-person company – that we could replicate that in the way that they're doing it.

Another factor, being based in Boca Raton (FL), is that we don't necessarily have access to the technical resources available in the Northeast. Boston has 28 universities churning out technology people; so Charles River has access to resources that we don't.

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What benefits has your firm seen from moving to the cloud? Have you encountered any significant drawbacks?

AP We did meet all our business goals, so we now have a modern platform, lots of process automation with the operations and trading teams, and compliance and client guideline monitoring. In terms of IT goals, we have availability and cybersecurity and we're extremely comfortable with the way that works with our new environment.

You do sacrifice some agility when you move to a product delivered over SaaS, but the mitigating factor is that you're forced to adhere to proper change management.

At my old firm, if the traders wanted to add a new FIX destination, I could sit down at the FIX engine, and in ten minutes, create the connection, call up the broker, send a test trade across, and put it into production. But that's probably not the best way to do it. What would inevitably happen is three days later, they'd send a cancel-correct or something – and it would fail because we'd forgotten to test that part.

So going through Charles River FIX Services, doesn't necessarily take ten minutes but what they deliver is properly documented, tested, and truly production-worthy. If you want to talk about cost, my old firm was very Do-It-Yourself (DIY). I had four system administrators. At my current firm, I'm doing all the same things, but with one system administrator. So one infrastructure person versus four – that's a cost savings right there. What really resonates with me, after having followed that DIY model for so long, is that subject matter expertise resides with the vendor. At Charles River, having those experts available is worth the price of admission. If we need to do something, we know we're getting the best people to do it, and they're going to follow a proper methodology.

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What process did you go through that led you to adopt a SaaS model?

AP It was a best practice approach to choosing SaaS, and then the decision to choose Charles River had already been made. We did revisit the three or four different vendors we were looking at, but the trading team already had scorecards done on all the vendors. If you ask a trader, they would rather have Charles River than almost anything else.

And then we had the executive support for a vision to embrace the modern approach to technology management embodied in SaaS.

One key driver behind SaaS is to empower end users with the latest capabilities, and help your firm become more successful. From the end user perspective, can you comment on what benefits they are realizing?

AP I think the most impressive thing from the business user's perspective is the level of process automation. It provides them with peace of mind, less reliance on memory and manual processes, so that's a big factor.

Also, knowing that the capabilities are there – although we may not be using them at the moment – is a big factor. So not having to worry about either scalability or scope. We're equity-only right now, but any day it could be something else, and knowing that Charles River supports all asset classes is important.

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How did you go about implementing Charles River SaaS?

AP It was approximately a six-month project, but we were simultaneously migrating onto one portfolio accounting system, which was also hosted.

The project team consisted of people from the portfolio accounting partner – Charles River had a team – and then we also had a third-party consultant to help organize those two vendors – along with our internal people – to make sure everything got done and tested.

The Charles River team was very impressive; they had a dedicated project manager and a number of subject matter experts from development resources to the data service people, the FIX team, the compliance people – and from each one of those groups, we also had their manager contact. So if that resource was busy on a particular day the manager could step in and pick it up.

Certain things we were originally planning to deliver from the accounting system, we were able to do more efficiently through Charles River. As a result, the scope of the work that the Charles River team delivered expanded throughout the project, and we still came in on time, and under budget. So that part – the actual execution of the project – was a pleasant surprise.

What issues did you encounter implementing custom workflows and capabilities?

AP The implementation was really first class – the best we've ever experienced with any vendor. When you have customized capabilities within the system or custom workflows, it helps to have documentation on your side, so you can explain what you need done. That will help the Charles River resource get up to speed. I think that maintaining the customizations is the hardest part.

How have you dealt with change control and service level agreements (SLA) in a SaaS environment?

AP I think part of it is just managing expectations. In a DIY environment, you can just go to the server, make the change, and push it through, which isn't necessarily the best idea. Getting users to understand that we need to do it right, this takes a couple days longer. But when it's properly done, it'll be tested and documented.

In terms of service level agreements (SLAs), we've never had issues with Charles River not meeting SLAs. My main thing is helping set user expectations: This is now being done in a different way, a proper way, so you can't just come to me, and say change this in 30 minutes.

The unexpected benefit for me was, when the auditors come, I can actually produce stuff that shows, look, I did proper change control! If a feed is failing, Charles River has an escalation process, and they're very responsive, and they keep you up to date throughout the whole process until they get it resolved.

In contrast with my prior environment – sometimes I'll wake up, and I'll see an e-mail that there was a failure. Someone from Charles River says, "I'm on it, I've fixed it. Everything's working normally," and then I'm waking up to that, instead of waking up to, "Something's not working." That's another advantage of the SaaS environment.

GETTING USERS TO UNDERSTAND THAT WE NEED TO DO IT RIGHT TAKES LONGER. BUT WHEN IT'S PROPERLY DONE, IT'LL BE TESTED AND DOCUMENTED. WHEN THE AUDITORS COME, I CAN SHOW PROPER CHANGE CONTROL.

NEXT STEPS: Read more about Charles River's [Software-as-a-Service](#) and how to simplify Buy-Side Operations with SaaS.

Contact us to [schedule a demo](#) or visit [crd.com](#).



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CHARLES RIVER DEVELOPMENT, A STATE STREET COMPANY

Investment firms, asset owners, wealth managers, hedge funds and insurers in more than 30 countries rely on Charles River's front and middle office investment management platform to manage more than US\$30 Trillion in assets. Together with State Street's middle and back office capabilities, Charles River's software technology forms the foundation of State Street AlphaSM. The Charles River Investment Management Solution (Charles River IMS) is designed to automate and simplify the institutional investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. Charles River's growing partner ecosystem enables clients to seamlessly access external data and analytics, applications and

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