

## Client Conversion

Managing a complicated process through discipline and rigor



### BUSINESS REQUIREMENT

Two recent instances provide insight into OpHedge's conversion capabilities. In the first instance, a fund manager retained OpHedge to replace the administrator who was servicing three separate funds. Wanting to expand the outsourcing, the client engaged OpHedge to provide, not only fund administration, but also a full range of middle and back office processing.

In the other instance, a large global fund manager with over \$3 billion AUM selected OpHedge as the outsource provider for two large, self-administered funds and approximately 25 special purpose vehicles, which traded bank loans and a variety of complex OTC instruments with numerous counterparties. The client's objective was to secure independent third party verification of valuation, NAV production, and shareholder servicing.

### CHALLENGE

Conversions can be complicated, given the complexity of the portfolio; risks are large, as a fund's NAV calculation is contingent on a successful conversion; and an unduly long conversion process is a drain on both client and OpHedge resources.

In the first case, OpHedge needed to effectively convert from the previous administrator's platform

three established funds with combined assets under management of approximately \$3 billion. Each fund pursued multiple investment strategies, with multiple asset classes, including substantial OTC derivative exposure. In both cases, there were multiple prime brokers, futures clearing merchants and ISDA counterparties.

### SOLUTION

As in all such undertakings, OpHedge pursued a disciplined methodology. First, OpHedge assigned a dedicated conversion manager, who defined the scope of the conversion and developed a full project plan. Functional working groups consisting of IT and business resources from both the client and OpHedge were established to work through any issues. These groups encompassed trade processing, reconciliation, treasury and collateral management, valuation, fund accounting and shareholder servicing expertise.

The OpHedge conversion team proceeded to convert and reconcile open tax lots (in one instance, more than 9000 of them) to the previous

administrator and/or to the street; developed and tested daily trade and cash movement files to the prime brokers; built automated cash and position reconciliations with custodians (PBs and FCMs); identified and received reconciliation data for OTC derivatives; set up ISDA agreements in OpHedge's collateral management system; established OpHedge's proprietary payment system; set up security master, corporate action, and price grabs according to appropriate client licensing; converted all shareholder records; and set up and executed client training on OpHedge systems.

Through this rigorous process, OpHedge was able to successfully migrate the clients onto its platform.

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