

Standardising digital communication for fund data

Interview with Joanna Babelek

Much is written about the operational challenges that hedge fund managers face today but when it comes to data collection – i.e. reference data, pricing, portfolio valuations – and trade execution or standardised reporting, service providers and investors have to contend with plenty of pain points.

Of course, managers must stay on top of operations in the current regulatory and compliance environment, leading to focus more on the front-office. However, for investors, fund administrators and custodians, they are crying out for an industry-standard electronic data exchange for middle- and back-office tasks; one that delivers an automated efficient flow of fund data that they can all access at the same time at the click of a button.

Cognisant of this lacuna in the marketplace, three years ago Swiss-based HedgePole set up a dedicated platform, **HedgeData**, to facilitate the flow of fund information between fund managers (both hedge and private equity) and their interested parties, and in doing so has established a unified model of digital communication and data exchange whilst maintaining each party's authorisation, privacy and secrecy.

"In my view, this industry needs fund managers to help standardise and digitise data flow, for which our platform provides all the necessary tools and opportunity" comments Joanna Babelek, CEO, HedgePole. "Hedge fund managers usually require electronic interfaces from their service providers, such as prime brokers, administrator(s), custodians and so on, but if you are a pension fund or an insurance company you might be allocating to a large number of hedge funds whose



Joanna Babelek, CEO at HedgePole

assets are held across multiple custodians and registered with various transfer agents, each one having their own reporting tools in place. Nothing is standardised or consolidated in order to put together an (institutional) investor's aggregated fund holdings reporting."

With HedgeData, HedgePole overcomes these data flow challenges. Fund managers and investors can achieve much greater ease of communication and importantly, every piece of data remains confidential although transparent for the managers who have full control over who sees what information on their funds and how their service providers communicate with investors.

"Every investor, upon authorisation, has access to pricing data, monthly reports and the manager can see all of the statements and other supporting documentation they receive from the transfer agents. Everything flows through the same platform. Everything is digitised. Our task is to make sure the security master data for each fund is held as a golden copy and that there is no duplication of securities, no missing data, errors or omissions. Interested parties can only see what they are authorised to see and investors know that all of the data is up-to-date, clean and verified by an independent party" explains Babelek.

HedgeData tracks 20,000 funds (approximately 8,000 of which are active hedge or private equity funds) and provides full fund reference data on more than 4,000 individual funds and is linked to some 200-plus transfer agents. By sitting in the middle, between fund managers and their administrators on one side, and investors, custodians and other service providers

on the other, HedgeData basically strips out the myriad challenges of sourcing and distributing accurate up-to-date reference and pricing data. It can even provide the bridge between the manager and administrator to the press and data publications to ensure all of them have the correct data at the same time.

The platform uses HPID, a standardised identifier for funds, share classes, series, capital accounts, equalisation factors and so on, to overcome one of the larger reporting and reconciliation challenges on the investor and service provider side that arise when different sources report different prices for the same security leaving investors confused and incapable to consolidate without manual interventions.

Inaccurate pricing also exposes fund managers and investors to potential regulatory risks when meeting their many regulatory reporting obligations. By improving the data quality, timeliness and level of transparency, investors who use HedgeData are better equipped to perform their compliance checks, generate regulatory and tax reports or conduct performance attribution and liquidity analysis on their underlying holdings.

“Because we track thousands of hedge funds and all of the underlying share classes and securities on behalf of multiple investors we process all of the data once, which all interested parties are then able to access. It saves time, reduces risk and everybody only has to pay a fraction of the cost of processing, updating and maintaining all the data – it avoids each party having to do it individually and manually.

Our platform means that nobody has to waste time chasing statements, latest subscription documents or fund prospectuses. With HedgeData it is all digitised, centralised, verified and, if you are authorised, available on-line 7 by 24.”

“We are the equivalent of a Bloomberg terminal in terms of hedge and private equity fund pricing. By making the data more sanitised, standardised and more accessible to investors and yet keeping it confidential, we think the platform is facilitating the way fund managers can communicate in an efficient and electronic manner with their investors and custodians,” says Babelek.



One of the issues investors face is knowing where to get hold of the right documents before they invest in funds leaving analysts spending much time on data collection rather than focusing on due diligence. As there is no electronic reporting or consolidated document library, also most custodian struggle to obtain the latest subscription documents and they have to figure out who is the administrator to each hedge fund.

HedgeData is home to 60,000-plus fund documents to overcome this problem. Something that is especially helpful for prospective investors, their custodians and fund dealing houses who have yet to commit the first tranche of capital to a manager.

“Investors will agree on the investment with the fund manager but it is then their custodian who might not have the fund listed in the system and they will not have the subscription documents, wire details or contact details of the transfer agent. We take apart the prospectus and populate 200 individual data fields, which we can feed to any custodian, investor, administrator or fund manager so that they can have it in their own system. We currently also connect to large data distributors, so institutional parties can be up and running within weeks linking to the information through an API.

“The goal is to achieve full process standardisation and data digitalisation and allow interested parties to source all the information from our secure and independent **HedgeData** platform,” concludes Babelek. ■