



## The CutterAdvantEdge

Commentary on Investment Systems and Operations

### Where is Your IBOR?

*High quality position data is critical for effective portfolio management, but receiving this data in a timely fashion from separate platforms has often proved challenging for many investment management firms. In order to eliminate this complexity and report portfolio valuations from different perspectives, it is essential that firms organize and consolidate this actionable information into an Investment Book of Record (IBOR).*

Historically, firms may have used position data from their portfolio accounting system, documented in an Accounting Book of Record (ABOR), to service the front office systems, such as OMS platforms or other decision support tools. However, with each area having different priorities, the front office encountered problems with the quality of the ABOR data, which often needed to be cleaned up significantly by portfolio managers. Accounting focuses on end of day positions for multiple accounting bases (STAT, GAAP, Tax, etc.) and is concerned with optimizing their operations around costs and accuracy. Portfolio managers on the other hand, require start of day information, including all corporate actions and transactions and are generally looking for investable cash.

To alleviate these reporting issues, firms have started developing an IBOR separate from their ABOR. "Shadow accounting" is the most common practice, which duplicates a set of accounts on an accounting platform to keep the front office up-to-date with the most current data. Whilst this might be a solution, it is often time consuming and difficult to support in a global trading environment with multiple time zones.

Software vendors are now beginning to make changes to their products to address the IBOR requirement. Accounting vendors are adding processing that applies corporate actions at the correct time and responds to the different time zones by supporting multiple closes. Bloomberg's product for involuntary corporate actions provides an on-going IBOR and those offered by Charles River are following suit. BlackRock's Aladdin product does not rely on feeds from accounting at all but rather incorporates a complete corporate actions toolset that facilitates this process. Some decision support vendors, such as Barclay's Point, can take a feed of trades and adjust holdings for corporate actions instead of being updated daily.

All these solutions have been designed to provide alternative views of accounting data and give investment managers real-time portfolio visibility to enhance decision-making and improve operational performance. Without a high-quality IBOR, global front office systems projects are likely to fall short of expectations. But with one, they can significantly impact the investment operations lifecycle and increase uptake and usage of any new systems.

