

# London Hedge Fund Services 2010



**UK eyes onshore  
hedge fund  
domicile business**

**Managers fret over  
tax and regulatory  
uncertainty**

**Risk control in  
the aftermath  
of the crisis**



# Back to business ...

---

## Take better control of your collateral.

With Colline®  
Automated  
Collateral  
Management  
From Lombard Risk.

---

Effective risk management has been cited as a very important characteristic to investors when deciding to invest in a hedge fund.

With Colline®, the world's leading automated collateral management system, optimising collateral and improving daily operational processes is a sure way to demonstrate a strong grasp of the most pressing risk factors.

Colline® introduces an integrated, proactive approach to collateral management. It helps to control the collateral at risk and allows for more frequent reconciliation. At the same time, it supports complex trade strategies with timely delivery of critical information about exposure levels and asset utilisation.

**Contact Lombard Risk for your FREE evaluation.**

**Telephone: +44 (0) 20 7089 3700**

**Email: [collateral@lombardrisk.com](mailto:collateral@lombardrisk.com)**

**[LombardRisk.com](http://LombardRisk.com)**



# Hedge funds see new need for risk controls

By Helen Bramley

In the past, many hedge fund managers, particularly smaller ones, sought to monitor and manage their risks using spreadsheet-based software, believing they didn't need or couldn't afford a collateral management solution. But the recent market turmoil has persuaded them that they now need more comprehensive and sophisticated tools covering a much wider range of risks – not least to satisfy future regulation and the insistence of their investors.

Lombard Risk specialises in risk management and regulatory reporting software for the financial industry. The Colline collateral management product has a cross-section of clients including hedge funds, asset managers and investment managers, insurance companies, energy companies and tier 1 and tier 2 banks, and has seen buy-side demand in particular grow recently.

Historically the buy side has managed collateral with home-grown systems, but firms now understand these approaches are error-prone, reactive and time-consuming, and might not pass regulator scrutiny. Therefore hedge fund managers are adopting commercially available systems that are easy to operate and manage, and flexible enough to handle the demands of their business and achieve operational transparency.

A web-based product that can be deployed across a global platform, Colline handles OTC derivatives, repo, and securities lending, and is being enhanced to encompass exchange-traded products such as listed businesses, futures and the CCP market. Lombard Risk works with industry bodies and regulators to ensure the system addresses the latest market and regulatory needs.

Designed to meet the demanding real-time operational requirements of hedge funds, Colline provides critical functionality for both buy and sell sides. An extremely flexible



**Helen Bramley is product director for collateral at Lombard Risk Management**

architecture enables clients to manage how they value, allocate, pledge, report and optimise their collateral to make the best use of the assets available. Lombard Risk addresses challenges such as reducing risk, increasing transparency and improving operational standards to maintain competitive advantage and enhance investor confidence.

Demand is increasing among smaller asset manager and hedge fund clients that need some kind of in-house or vendor system to better manage the risk associated with their investment decisions. For example, managers conscious of their reliance on prime brokers to provide reporting now want direct access to their own collateral-related information to make more informed decisions about its use.

With new regulation being imposed on investment banks worldwide, hedge fund managers are conscious that it won't be long before they are subject to similar guidelines. They are looking to pre-empt new regulation and ensure they can proactively carry out reconciliations with a robust solution for more accurate reporting. It's about greater transparency – all the information may have been available in various sources, but systems like Colline put it in one centralised place that provides transparency for the investors and internally within the fund.

Hedge funds simply cannot afford to operate manually any more; without automation, it's difficult to defend margin calls and receive quick payment, and managers need to instil their investors with confidence that they will manage their funds' risks properly. The Colline functionality and Lombard Risk's collateral management expertise offer managers operational improvements for their business and the protection they need for regulatory compliance. With two new releases per year, the development process never stops. ■