



## Four Signs Your Firm Is Ready for a Consolidated Front-To-Back Solution

### Front-to-back office solutions are on the rise. Are they right for your firm?

Historically, financial services firms have worked in silos with front, middle, and back offices all managing their own solutions, often selecting the best-of-breed systems specific to their individual needs. We have seen many instances where companies pay vendors more than needed due to multiple uses of the same software or data in different areas of the firm. At the same time, the vendors themselves only provided focused solutions which further supported this isolated model.

Over the past decade, company mergers have compounded the presence of multiple service and data providers within the same firm. Growing asset levels, higher demand for computing power, and merging data from different systems led fintech vendors to expand their service offerings. These more comprehensive platforms aim to unify operations and drive down costs. Now, asset managers are faced with new operational challenges as a result of legacy technologies and outdated processes.

This is great news for the investment management industry. The current environment presents a prime opportunity to transform business operations. More and more companies are taking advantage of the comprehensive managed-service offerings and platforms available today. On the flip side, there are still many firms that could benefit from the full-spectrum solution but have hesitations.

We hear plenty of excuses not to change what is perceived as working, including:

- Lack of time
- Existing system in place that “works”
- Minimal bandwidth to fund a new solution
- Firms are weary of putting all their primary systems in the hands of one vendor, often viewed as vendor risk

Meradia believes that the following four signs indicate your firm is ready for a front-to-back solution:

#### 1. Various sources of data.

Most firms need to manage multiple sources of data. For example, multiple custodians mean multiple sources of positions and transactions. This alone can be a daunting task, but when those multiple sources also have various or different prices, security analytic data, and positions due to different sources of “gold copy” data, it can lead to serious errors. Not only is this type of environment ripe with potential errors, but it is also costly to maintain. There are multiple integrations between systems, including custom solutions that need to be maintained. This also has a large human capital impact and cost. Resources in all areas of the firm are spending countless hours maintaining systems, updating spreadsheets, building and maintaining data integrations, and cleansing data. It is critical that all teams are working with one source of truth for all data. Data is the lifeblood of critical functions such as trading, accounting, and performance.

#### 2. Spreadsheets and manual processes fill gaps between best-of-breed platforms in front, middle and back-office systems.

The web of spreadsheets and manual processes that are used for reconciling, normalizing, or supplementing data have always had a significant impact on organizational workflow. Most firms suffer from this, and many suffer from this at more than just one point of the lifecycle.

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## 2. Spreadsheets and manual processes fill gaps between best-of-breed platforms in front, middle and back-office systems. (Continued)

Many of these processes have existed since the inception of the workflow and others come when one best-of-breed system changes, which then has an impact on upstream and downstream processes. A comprehensive front-to-back solution will minimize these risks and reduce the spreadsheet nightmare. Eliminating these processes will allow your analysts to provide value-added service as opposed to focusing on repetitive tasks.

## 3. Issues occur due to incorrect or untimely data.

Data validation and reconciliation should be done once - not multiple times by each department or business unit. When the front and middle office do not share the same trade restrictions, pre- and post-compliance checks may be misaligned. Trading and rebalancing portfolios will be based on incorrect data which can lead to margin calls, incorrect allocation, wash-sale rules triggered and performance errors, to name a few. Missed or incorrectly processed corporate actions lead to some of the most costly errors.

## 4. Your current workflow has redundant tasks between front, middle, and back offices.

The redundancies across various business units are a large cost to firms and misuse of human capital. It leads to analysts diverting their attention in favor of researching discrepancies between different parties. We have also seen this lead to high turnover rates of well-trained and experienced staff who feel the work has become stale and their own lack of value added, only to be replaced with another experienced resource doing the same redundant tasks. With a complete front-to-back solution, your organization will become more efficient by maintaining firmwide data while at the same time, investing in and retaining valuable resources.

## HOW MERADIA CAN HELP

Meradia leverages tactical expertise within front, middle and back offices, and strategic experience across the investment management lifecycle to deliver operating models and business processes that support greater organizational cohesion. Meradia consultants bring extensive experience to large-scale business transformation projects, including detailed knowledge of the vendor and service provider landscape. Our consultants understand your business and technology challenges, and expertly blend these perspectives to achieve superior client outcomes.



### John Leavy

John Leavy has an exceptional 30+ year track record of leading and managing projects involving a wide range of portfolio accounting, performance measurement, analytics, data management, CRM and reporting systems at buy-side and sell-side companies. John has led change in the back and middle offices of financial services companies. He has managed performance and attribution, portfolio accounting and data management implementation projects with various systems, including Eagle, SS&C, and Confluence platforms – leveraging his deep understanding of upstream and downstream systems and processes.

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