

Hargreave Hale implements integrated system as part of plans to grow Contracts for Difference business

Case Study

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"Our CFD processes are now fully automated from point of contract entry and integrated with our back office system. That means that all the data is on one system and compliance only has to be monitored on one single system. This project has worked well because we have built our business with Investmaster over the years. We understand how they work, know their people and in turn their staff understand the Hargreave Hale business, which is essential."

Adam Caplan, Director, Hargreave Hale

Hargreave Hale Ltd is a highly successful and well established stockbroker based in London. The company was originally formed in 1897 in Blackpool. As the company grew, it opened new branches across the UK, and now has a network of offices in Blackpool, Carlisle, Bangor and Worcester, with its principal office in London. It employs about 100 staff and has its own back office in Blackpool for monitoring and controlling the settlement of trades. In February 2001, the company sold 35% of its equity to Investec Bank (UK) Ltd.

The firm prides itself on being an investment specialist that offers a very personal service to its clients, with account executives assigned to each client. It specialises in high net worth and fund management and has been recognised for having the highest performing smaller company unit trust over five years and also the second highest performer over one year. Hargreave Hale has ambitious growth plans, as evidenced by the launch of a MicroCap fund and a VCT (Venture Capital Trust).

Business development at Hargreave Hale has been particularly focused on the firm's Contract for Difference (CFD) product, aimed at the more experienced investor with a higher risk profile.

A significant proportion of its business is generated from dealing in CFDs, and whilst the rest of the market tends to focus on gearing and CFDs for larger cap companies, Hargreave Hale has successfully established its CFD product with small cap companies in keeping with its expertise as a specialist in smaller companies.

It occupies a niche market and is looking to grow this area of the business to maximise market opportunities.

The Business Challenge

As CFDs continue to become more popular with investors, the market is becoming increasingly competitive. In order to develop its CFD business, Hargreave Hale recognised that it needed to scale up its IT systems to accommodate an increase in business, but also to streamline and integrate its CFD processes with its back office system. It could then provide a more holistic wealth management approach to its clients, whilst also meeting current Financial Service Authority regulation around 'know your client' and having a better understanding of clients' attitude to risk. The increasingly strict regulatory framework means that brokers are now under more pressure to demonstrate that they are able to identify and understand

clients' investment activities and assets in their entirety, so that they can make correct investment decisions on behalf of clients.

For the previous four years, Hargreave Hale had been using a bureau service for CFDs. Whilst the service was largely efficient, it was also expensive, and Hargreave Hale could not integrate the service with its own back office system, making the settlement process slow and inefficient.

The Solution – Implementing a system to grow with the business

As the supplier of Hargreave Hale's back office settlement system 4i-Core, Investmaster understood Hargreave Hale's business and its core IT infrastructure, whilst also understanding the intricacies of CFDs and the processes involved in dealing in them. Hargreave Hale therefore turned to Investmaster to develop a CFD product that would suit and integrate with its back office, recognising the improved efficiencies to be gained from processing CFDs through its back office system with a single supplier. Investmaster agreed to develop a CFD product tailored to Hargreave Hale's specific requirements that would integrate 4i-Core with a CFD system.

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The project began in September 2003 with initial requirements being agreed in January 2004. Between January and April 2004, Investmaster and Hargreave Hale worked on the specification, determining front-end requirements and testing the system with sample clients. This included Investmaster working closely with the team at Hargreave Hale's back office in Blackpool. The system was delivered in April 2004 with Hargreave Hale initially running both old and new systems in parallel to make sure they produced the same results. This proved successful, and with a very quick implementation the system went live at the beginning of May 2004, running all daily processes effectively.

Investmaster's 4i-CFD automates the input, processing and settlement of CFD processes for Hargreave Hale including 'mark to market', by calculating the daily price variation; the daily application of interest; profit and losses on closed positions; margin calculations; and the input of new contracts. One of the features of the Investmaster CFD product is its ability to calculate monthly Capital Gains Tax, and Hargreave Hale added this functionality as a second phase of the project. A risk monitoring programme has also been added as a further enhancement.

Benefits – Streamlined processes to save time and money

Hargreave Hale now has the scope to scale up its CFD capabilities very quickly as this key area of the business grows. Initially using only 10-15% of the systems capability, there is scope to scale up six to seven times over the old system, without the need to employ more staff or pay additional bureau fees.

Adam Caplan, a Director at Hargreave Hale comments on the new system, "Scalability has been key to the success of this entire project supporting our growing CFD business. With the Investmaster system, the speed of input has dramatically increased, already saving us significant time.

"As we expand, we hope to see a good return on investment as a scalable system means it will provide efficient functionality for years to come.

"Many of our competitors use a call centre approach to dealing in CFDs, whereas Hargreave Hale has always maintained a personalised broker approach. This means knowing our clients and understanding their requirements, and so our systems need to support us in doing this. Because our clients may have ISAs, pensions etc in addition to CFDs, our personal account executives need to be able to access information on all of these from one single source to get a full picture of a client's portfolio. Combining 4i-Core with 4i-CFD means that we can now do this.

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About Investmaster Group Limited

Investmaster Group Limited has been providing purpose built IT solutions to the UK's wealth management and institutional broking sectors for over 20 years. Investmaster is committed to the provision of reliable technology that underpins its clients' business in an increasingly regulated marketplace. Investmaster has an established client base and a proven track record in helping its clients grow their business. Investmaster's fully integrated suite of products covers the complete trade lifecycle from portfolio management through to trade management and settlement, and supports all aspects of wealth relationship management. Investmaster's technology handles over 25% of the London Stock Exchange's daily private client volumes.