



Schroders Case Study

The Client

Established in 1804, Schroders has been investing for over 200 years, through the good times and the bad. This heritage gives Schroders the experience to challenge conventional thinking and develop new investment opportunities for their clients.

Schroders has a strong presence across Europe and is a well recognised and established brand. Schroders' performance and customer service have been recognised by independent third parties.

Schroders' investment management team is made up of 177 fund managers, 148 research professionals and 42 traders. Their in-house specialists, based in 32 cities in 25 countries, contribute their local knowledge and investment ideas to Schroders integrated global research network. However what really differentiates Schroders are their small, client focused investment teams – specialists in their individual investment space. This structure creates an entrepreneurial environment and has contributed to Schroders' success with both core and thematic products.

The Challenge

Schroders manages funds which are domiciled in a number of jurisdictions across the globe. The firm also acts as a fund buyer, placing institutional trades into Schroders funds from Hong Kong and London. The number one priority was to increase the automation of Schroders' fund dealing and processing from distributors such as Cofunds and FNZ into the Schroders fund ranges both onshore and offshore.

What were Schroders UK's concerns prior to joining Calastone? Was there an RFP process?

Schroders spent significant time on the selection and due diligence process and a number of other bureaus were considered. Because IFDS were already connected to Calastone, this made the on-boarding process very straightforward. It was clear from the outset that Calastone could fill an integral gap in the market, namely that our Distributors could instruct their trades in any format they chose. We signed a Non-disclosure Agreement to enable us to work with Calastone in developing the best solution.

What cost savings have you seen since going live on Calastone?

As Calastone does not apply an initial, development or annual charge we only pay a small charge per transaction which has fallen steadily since joining in 2008 based on volumes traded. Because Calastone does not 'reset the clock', we initially paid £2.70 per trade, but we will soon be paying £1.50 per trade. Since 2008 our STP rate has increased from 55% to 84% with Calastone making a significant contribution to this increase.

What prompted Schroders Luxembourg to join Calastone?

Many of our investors wanted the facility to trade in our offshore and onshore fund ranges. A multi-national fund manager such as Schroders needs to be able to service investors in different locations using many different protocols. Connecting our Luxembourg fund range to Calastone allowed us to focus on our core business, providing a first class investment service for our clients from trade to settlement, whilst keeping operational risk down and expanding distribution reach.

Schroders were early adopters of the Calastone settlement service in March 2010. What operational benefits have you seen since then?

We had the opportunity to take part in the initial pilot group meetings regarding Calastone's anticipated settlement service and consequently able to influence the look and feel of the product. By listening to the requirements of various market participants, Calastone was able to create a more efficient market model. The number of transactions which we have settled using Calastone now represents a significant portion of our daily volume and we're delighted to see that more distributors have come onboard over the summer. We would encourage more distributors to join the service and reap the benefits.

What issues do you face when reconciling trades with investors?

A portion of the reconciliation report requests we receive from our Distributors cost us a significant amount of time and money. Calastone's reconciliation service not only brings greater automation efficiencies but also the fund manager does not pay for valuation requests.

Schroders is now trading as a distributor in the market using Calastone to host your SWIFT BIC. What operational benefits has this given you?

Our initial priority was to meet our investors' needs by connecting our UK fund range to Calastone. Once we'd been up and running for a few months, we realised that our multi-manager team could benefit from the same automation efficiencies. We've had zero errors since we started using Calastone on the dealing side which is important because ticket sizes are not small!

Why did your Hong Kong dealing desk also join Calastone?

Schroders continues to work with Calastone to eliminate as many (sometimes painful!) manual dealing processes as possible. The Calastone order entry tool (EMS) is multi-lingual and very simple to use. Our dealing desk in Hong Kong aggregates orders from multiple investors in the Far East and sends them into London via Calastone. This has helped us to reduce risk and provides transparency on deal flow in multiple geographic locations.

What percentage of the trades placed by your dealing desk was automated before you joined Calastone?

Zero

How much money do you now save as a result?

That depends on how you measure money saved. Operational risk has been reduced and we now have real-time visibility over the whole life-cycle of the trade, free of charge in multiple countries (HK, Luxembourg and London). The risk of a loss on a big ticket is unquantifiable.

Where did you hear about Calastone?

Someone called Kevin Lee called us in 2007...

With thanks to Alex Murton, Head of Client Administration at Schroders

Key Project Facts and Figures	
Time to market (UK fund manager)	8 weeks
Time to market (Luxembourg fund manager)	10 weeks
Time to market Distributor UK	4 weeks
Time to market Distributor HK	4 weeks
Time to market Settlements	4 months from initial pilot group meeting
Cost per trade	36% cheaper than manual rate
Testing time required per new distributor link	1 hour

For further information contact:

For Calastone

Alex Hofmann - Sales Director

+ 44 (0) 20 7367 5944

alexander.hofmann@calastone.com

For Schroders

Beth Saint – beth.saint@schroders.com

+44 (0) 20 658 5859

Notes to editors:

About Calastone – the independent cross-border transaction network for the mutual fund industry.

Calastone was established in March 2007 by three joint-founders, Kevin Lee (Chief Executive Officer), Ian Taylor (Chief Operating Officer) and Campbell Brierley (Chief Information Officer). From industry experience they recognised that, unlike the institutional market, communications in the mutual fund industry between the fund providers, distributors and their transfer agents was nothing short of archaic. Messaging is still conducted by phone, fax, email, and excel spreadsheet; and the industry has been lacking a transaction network capable of handling and interpreting instructions.

Calastone presents, for the first time, the opportunity for the whole mutual fund market to become fully electronic. The magic of the Calastone Transaction Network (CTN) is that participants are able to send/receive instructions in any way they prefer whatever their messaging protocol. Also, for the first time, participants can track their trades and manage exceptions on a real-time electronic basis throughout the transaction lifecycle. Real-time tracking through Calastone's execution management system helps firms reduce not only their costs but also operating risks. For further information please visit:

www.calastone.com

Alex, the font used in this section is not the same as the rest of the case study

About Schroders

Schroders is a global asset management company with £181.5 billion (EUR 209.6 billion / \$286.1 billion) under management as at 30 September 2010. Their clients are major financial institutions including pension funds, banks and insurance companies, local and public authorities, governments, charities, high net worth individuals and retail investors.

With one of the largest networks of offices of any dedicated asset management company, Schroders operates from 32 offices in 25 countries across Europe, the Americas, Asia and the Middle East. Globally Schroders employs over 300 portfolio managers and analysts covering all the major investment markets. Schroders offers its clients a comprehensive range of products and services.

Further information about Schroders can be found at www.schroders.com or on Schroders Talking Point www.schroders.com/talkingpoint.