

# Distributed Financial Investments

Different legislation in individual countries can pose a challenge to investment companies -and in some cases even limit the extent of their activities. Investors are obviously forced to adhere to the legislation, and this means that diversification naturally is directed into business areas where the optimal investments are permitted and legal, as well as beneficial for the yield of the investment. Once the optimal instrument has been found and invested in, this leaves the task of integrating the monitoring of the investments into the Asset Management solution which looks after the entire business as a whole.

Many Asset Managers thus find themselves faced with a challenge when it comes to maintaining the portfolios of beneficiaries. To improve the efficiency of the business assets of a large investor, one option is to break up the different portfolios and different legal entities, which may not necessarily be located in one country. It is further worth bearing in mind, that the different assets may be controlled by different laws.



*From an investors point of view the physical location of the asset is irrelevant, provided they deliver a satisfactory return and meet the requirements of acceptable risk.*

However, when it comes to proving that such investments are not potentially in violation with local legislation and therefore could not potentially be considered 'Criminal', the investor must be able to prove that the investments fit into existing legislation. They are further under obligation to provide the necessary reporting to regulators and supervisory authorities.

Some of the assets held by an investor may therefore fall under the so-called Criminal Code, which in turn from a local market point of view may seem ineffective. However, the purpose of the Criminal Code – is to ensure the unconditional execution of management decisions from the top are taken in full compliance with local regulations.

A Global Manager may not be interested in the investment conditions in his/her local market, but rather want to focus the resources in other markets. This raises a demand for close monitoring of the market in questions as well as substantial data volumes, pertinent to the market in question, for adequate accounting and reporting. Any investment is obviously undertaken to provide a satisfactory investment return on the assets as a whole. But this immediately raises the demand of being able to solve problems and provide timely, transparent and detailed information on the investments to the beneficiaries.

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## **Squaring the circle**

This above described type of investment structure can be represented as a complex structure of investment portfolios in which each portfolio may have individual rules for accounting and valuation. Financial results of the management of these portfolios will eventually be consolidated into the beneficiary's global portfolio.

The solution for many portfolio management companies is GAMA, as the solution allows for modeling of portfolios of the above nature in the portfolio management portion of the solution. Hence any request from the client can immediately be modeled on the fly.

The modeling includes local portfolios in local currency, taking into account possible dynamic consolidation into a global portfolio manager - where needed - in the required currency, and with the required accounting policies. The assets of a local portfolio can be distributed between several global portfolios. Thus, GAMA supports not only a homogeneous hierarchical structure of portfolios, but also distributed. This capability is offered whilst still maintaining legal requirements for various accounting policies and legislative reporting requirements of the particular market.

*InfoStroy has a client where the investment process is united by 5 beneficiaries, 1 company performing the role of global manager, 3 local investment companies and 2 offshore investment companies. The logical model of the business in GAMA is served by a distributed structure, which unites more than 250 portfolios. The implementation of the solution took 6 months and given the complexity of the tasks was an absolute success, according to the customer.*

### **Overcoming the weakness of internally developed solutions**

For obvious reasons open discussion of issues in investment management relating to such conditions is not widely spread in the professional community. Therefore, most policy decisions in this area end up being classified as "internal" developments and more often than not are riddled with weaknesses.

In this sense, GAMA is a unique solution, combining years of experience with implementations in many investment management companies as well as handling investments in non-trivial situations.

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