



Manning & Napier automates custodian links with SWIFT Alliance Lite2

Streamlining processes for greater efficiency



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Erik Schleicher

Operations Manager, Manning & Napier

Business background

As a mid-tier asset manager with retail and institutional clients across the USA, Manning & Napier finds itself engaging regularly with some 90 custodian banks appointed by its various clients. Until recently, the firm deployed an automated fax system to communicate settlement instructions to the various custodians. This continues to be the case for instructions to smaller domestic custodians with whom volumes are relatively light.

While there are still numerous asset managers using faxes to communicate settlement instructions, some of the larger custodians are starting to balk at this. For international trades in particular, this approach is no longer favoured by SWIFT-enabled custodians, who have to manually enter these faxes into their system.

As a result, the end-clients of many mid-tier and smaller asset managers find themselves being billed by these custodians for the costs of manual processing. “Some custodians were charging USD 75-100 per instruction to process these trades for us in the client account,” says Erik Schleicher, Operations Manager, Manning & Napier. “Obviously, from the client perspective, that was upsetting. Meanwhile one or two other custodians who do not yet charge for fax processing are threatening to do so.”

While Manning & Napier has long been interested in SWIFT connectivity, costs were for many years prohibitive for an asset manager of its size. The advent of cloud connectivity has, however, opened new opportunities.

Solution overview

Manning & Napier chose Alliance Lite2 for access to the SWIFT network and is now live with three of its largest custodians of institutional and mutual fund clients, especially those handling international portfolios. “In terms of volume, they account for a large chunk of our foreign trading and have been live for around five months,” says Schleicher. “We have worked closely with SWIFT and the process has gone very smoothly.”

The firm is now in testing with two more custodians. While Schleicher accepts that many of the smaller custodians with which it deals are not likely to be SWIFT-enabled, in the short- to medium-term he is keen to “SWIFT as many as we can down the road.”

In financial terms, the cost savings accrue primarily to the institutional end-users, reinforcing Manning & Napier’s client relationships, as well as to the custodians themselves, who are able to reallocate resources previously devoted to manual processing. “I have been told by the custodians that with greater STP, they have been able to reallocate staff who were working on our accounts to other processes,” says Schleicher.

The same is true for Manning & Napier itself. “Internally, adopting Alliance Lite2 has allowed a lot of trades to be quickly matched between our custodians and our brokers so the inquiries that come into our back-office on unmatched trades has drastically reduced,” says Schleicher. “We had one person pretty much dedicated to handling inquiries from custodians and brokers on settlement instructions,” he says.

"They have now been freed up to working on other projects within the firm." Schleicher identifies another specific benefit in terms of new business. "Many RFPS ask if we are SWIFT-capable for our foreign settlements," he says. "We can now tick that box."

The implementation process involved site visits from SWIFT experts to see how Manning & Napier handled its post-trade processes. The firm is now self-sufficient operationally when it comes to SWIFT connectivity, though SWIFT is always available for the odd query.

Jim Combs, Application Analyst at Manning & Napier and Schleicher's colleague, has a recommendation to firms of similar size who are considering the option of cloud connectivity to SWIFT through Alliance Lite2. "You need to have someone in your shop with legacy knowledge of your data tables and the connection between them," he advises. "We were fortunate in having someone in-house with knowledge of our own data and systems as well as what SWIFT wanted to accomplish. Obviously SWIFT cannot be expected to know the internal data architecture of each individual asset manager. Having someone available in-house to contribute that knowledge helped to accelerate the implementation process."

Tom Scarpulla, Relationship Manager for Securities at SWIFT, who brought Manning & Napier into the SWIFT fold describes another lesson from the implementation process. "It is important for custodians to have a dedicated team that we and our customers can call upon for testing, and for custodians to have their testing standards published and readily available for the client," he says. "Had this been universally available, it would have helped smooth the process."

Over the past 18 months, says Scarpulla, there has been a significant uptake of Alliance Lite2 in the investment management community. "While firms like Manning & Napier have long had an interest in joining SWIFT, five to ten years ago, it would have been a significant undertaking," he says. "Alliance Lite2 has undoubtedly lowered the barrier to entry for small and medium-sized managers."

As markets move to shorten their settlement timeframes further, Schleicher expects more investment managers to sign up to automated messaging to increase efficiency and reduce risk. "After all," he notes, "fails can be expensive."

For more information, contact your SWIFT account manager or visit www.swift.com

About Manning & Napier

Founded in April, 1970 and headquartered in Rochester, New York, Manning & Napier is a mid-tier asset manager with a mixed retail and institutional client base. As of March 31, 2016, the firm manages USD 34+ billion in assets for individuals, corporate benefit plans, union pension and annuity funds, endowments, foundations, profit sharing plans, and 401(k) plans. Manning & Napier has additional offices in Columbus, OH, Chicago, IL, and St. Petersburg, FL to service clients nationwide.

Benefits of using Alliance Lite2

Highly secure and reliable

Increased automation and straight-through processing of financial flows

Light footprint – no infrastructure to maintain

Minimal upfront investment, usage-based

Monthly fee

Worry free – SWIFT services to help at every step
