

# Optimised risk management inspires client confidence

## Aquin's MIG21 provides sustainable support for the risk and portfolio management activities of AGF Asset Management

Highly-developed risk management processes are key success factors for investment and asset management companies when it comes to creating sustainable added value for clients and remaining competitive. In view of the continuing complexity of products and customised investment strategies – along with the increasingly complex legal regulations involved in fund and asset management – there is intensified pressure on risk managers to efficiently control investment restrictions and guidelines and thus streamline risk controlling processes. This is a challenge that can no longer be met without specialist tools.

AGF Asset Management (AGF AM), one of France's leading asset management companies, experiences this every day. "The decision we took as early as 2001 to introduce a system for checking and managing contractual, regulatory and internal investment guidelines



*With assets of 75 billion euros under management (as of April 2006), AGF Asset Management (AGF AM) is one of France's leading asset management companies. Among the clients of the subsidiary of Assurances Générales de France (AGF) are insurance companies of the AGF Group, institutional as well as other companies and private investors who are serviced with discretionary management agreements and innovative investment strategies and products.*

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**AGF Asset Management is one of France's leading asset management companies.**

has stood the test of time," says Jean Peythieux, Head of Risk Management of AGF AM in Paris. "Aquin Components' MIG21 ensures that we can quickly implement and meet all client and legal requirements in portfolio management – no matter how complex. Particularly for our institutional clients, this is a key criterion in the decision to work with AGF AM."

## Highly flexible, quickly implemented

The increase in business with institutional investors and the simultaneous increase in complexity in particular, were significant reasons for AGF AM to evaluate a new solution for checking investment constraints. In addition, derivative instruments with guidelines that were difficult to implement were becoming increasingly important. Checking guidelines using Excel, on the other hand, could no longer keep up with the requirements for modern risk controlling. It became almost impossible to continue to comply with the multitude of regulatory requirements and client-specific rules. Even under optimal conditions it was impossible to check investment restrictions more than once a week. "Because of our requirement criteria, we considered only three serious providers on the market – and one of them was Aquin," explains Jean Peythieux. "It was very easy to choose MIG21. The solution impressed us with its flexibility, allowing us to take all existing processes and rules into account and develop them further with a robust tool."

In implementing MIG21, AGF AM maintained its orientation towards the needs of risk management and existing business processes. In the first phase, one employee on the five-member Risk Management team transferred the existing central body of rules step by step from Excel to MIG21. The checking results from Excel were simultaneously imported into MIG21. This gave AGF AM statistics and reports about the number, type and remedy for compliance breaches – information not available before MIG21 was introduced. Within only six months it was possible – with an extremely low use of resources – to model 80 percent of the investment guidelines in MIG21. AGF AM then set about automating the entire investment checking and risk management with MIG21.

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*"MIG21 gives us the certainty that we in Risk Management can meet every client mandate, no matter how complex the requirements."*

**Jean Peythieux, Head of Risk Management of AGF AM**

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"Our example shows that MIG21 can be introduced by a department with tight resources and a practical approach at a low cost – and it functions excellently," Jean Peythieux says with satisfaction. "In my opinion it is better not to separate defining rules – and selecting the data necessary for this – from the daily checking and administration of investment guidelines. That makes the easy-to-use rule language of MIG21 even more valuable. It allowed us in the risk management team to implement all rule definitions ourselves, independently of our internal IT specialists or external service providers. Nevertheless, if necessary, we can fully rely on invaluable



**Jean Peythieux, Head of Risk Management of AGF AM**

support and training services from the experienced team of Aquin specialists. A recent implementation of a powerful function of MIG21 (structured products look-through) went very smoothly." Another important asset of MIG21 is its mapping engine with a dynamic data model and the ability to access and consolidate data from several heterogeneous source systems, providing simple user definitions of asset classes and data items. The result is excellent data quality – a prerequisite for the reliable checking of investment guidelines.

## Comprehensive quality assurance

AGF AM uses MIG21 today for daily automated post-trade compliance checks for roughly 300 client portfolios under its management. Jean Peythieux explains: "We decided to focus on the excellent post-trade compliance checking, which allows us to provide optimum support to quality assurance in risk management." MIG21 is thus seamlessly integrated into the investment process: fund managers are notified daily via automated e-mails of compliance breaches in the portfolios they manage. In addition to the high degree of transparency, MIG21 offers a multitude of reporting options that provide comprehensive coverage of all requirements for high-quality analysis of the checking results. This benefits all areas – from portfolio management to risk management and internal controlling all the way to the custodian bank, all of which take direct advantage of MIG21.

The precise qualification of compliance breaches also allows deviations to be corrected quickly and precisely. This markedly simplifies cooperation between risk and portfolio management and significantly improves reaction times: breaches can usually be corrected

within one business day. Moreover, AGF AM set up specific alert functions that notify fund managers on demand about certain AGF-specific ratios in their portfolios and provide ongoing support in portfolio management.

AGF AM also uses MIG21 as a database for reports and analytics that go beyond the plain checking of investment guidelines. Classical analytics calculations – e.g. modified duration – are run automatically on a daily basis in MIG21 and stored independently from any rule breaches. Historical graphs are thus available at a very low

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cost since several of these analytics must be calculated anyway for rule checking purposes. The result: streamlined portfolio risk management. Also of particular importance is MIG21's look-through function, which allows all components of structured products to be continuously monitored and checked. “The extensive options and flexibility that MIG21 offers us are very hard to find in other IT systems,” says Jean Peythieux with conviction.

## MIG21 creates competitive edge

Functionality and flexibility are accompanied by extremely high reliability and availability. According to Jean Peythieux: “MIG21 gives us the certainty that we in Risk Management can meet every client mandate, no matter how complex the requirements, and ensure uncompromising quality in checking constraints. In addition, the total costs of the solution are very low compared to the high level of service.” Although the number and complexity of portfolios under management and investment guidelines are continually increasing, the number of significant breaches has remained stable for some time. The quality of the investment compliance checks is much better than previously.

“But above all, our clients benefit from the security of our services and products that MIG21 allows us to offer,” concludes Jean Peythieux. This is a factor that is significantly aiding the growth of AGF AM, particularly in doing business with institutional investors. “Security and a high degree of control are key success factors in a competitive market environment. We can offer our clients the certainty that they can trust our company, our services and our products. These qualities play an ever more important role in selling and thus help us to achieve a competitive edge. The trust that the market places in us is also reflected in the collaboration with the parent company, custodian banks and regulatory bodies, among whom AGF AM enjoys an excellent reputation.”

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## MIG21 at a glance

- Powerful solutions for the checking and administration of legal, client-specific and internal investment restrictions on portfolios, mutual and institutional funds on behalf of asset management companies, custodian banks and insurance providers
  - High-performance pre-trade and post-trade investment oversight, all in one system
  - LawCards with pre-defined legal guidelines plus ContractCard for contractual guidelines for all financial instruments and all major UCITS or non-UCITS legal frameworks
  - Powerful and user-friendly rule language
  - Flexible, generic data model for dynamic setup of new asset classes and attributes
  - Rapid and seamless integration into existing system landscapes and connection to order and risk management systems with flexible mapping engine
  - Look-through functionality for structured products
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# Facts & Figures

## AGF Asset Management

With roughly 300 client portfolios under its management, AGF Asset Management is one of France's leading asset management companies and is an associate member of Allianz Global Investors. This unique network of experts allows the 230 employees of AGF AM to combine global investment expertise with local experience to offer attractive investment solutions.

## Sector

Asset Management

## Key financial figures as of April 2006

- Domicile: Paris
- Parent company: Assurances Générales de France (AGF)
- Number of portfolios under management: 300
- Number of employees: 230
- Assets managed: 75 billion euros
- Number of funds: 130
- Number of trades per day: 200-300

## Main sources of data

- Fund accounting: SunGard GP3
- Portfolio management: SunGard Decalog
- Proprietary data warehouse
- Several proprietary or third party tools and databases (e.g. for derivatives complementary analytics, tracking errors or benchmark data)

## Challenge

- Growth in institutional investor business: increasing complexity of management mandates and portfolios
- Increasing density of legal regulation in fund and asset management
- Efficient and automated checking of all contractual, legal and internal investment constraints
- Support for existing business processes and integration into workflow

## Solution

Aquin MIG21 Investment Compliance (post-trade)

## Benefits

- Complete integration of investment compliance checking into investment process
- Sustainable support for portfolio managers through alert functions and benchmark statistics
- Detailed qualification of compliance breaches and significant improvement in reaction times
- Sustainable improvement in security and quality of risk management
- Increased growth in institutional business
- Enhanced quality in checking of investment compliance
- Marked improvement in data quality
- Intuitive Rule Language
- Meets all requirements for risk management
- Low overall operating costs
- Increased client confidence, improved reputation, support for sales and achievement of competitive edge

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