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FSG Pricing Optimization

Problem Landscape

Identified Problems and Proposed Solutions

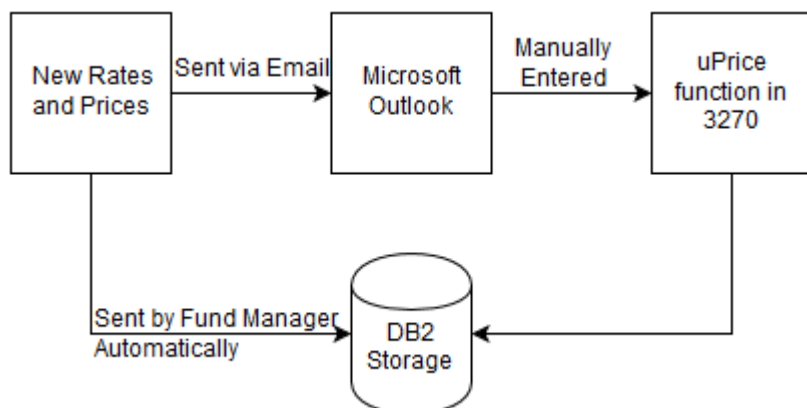
Project Artifacts

Background

There is a team in the Financial Services Group who is responsible for documenting changes in prices of shares of Mutual Funds. These brave souls, the Pricers, begin most of their work when the Stock Exchange closes at 3pm Central Standard Time because prices of Mutual Funds cannot be determined until the market is closed. The Pricers wait for a group called Fund Accounting to determine the prices of Mutual Funds, so often the bulk of their work happens later in the night from 7:30 to 9:00ish. The job of the Pricers is simple enough: make sure every fund that should have a price has a price.

Incoming Data

Before we get into exactly how a pricer will handle a missing price I'd like to first discuss how prices and rates can come into our system. Or rather, I'll encourage you to look at this diagram that explains it much more simply than I could with text.



Now that you've had some time to soak that in, let me talk about some aspects of the diagram. As you can see, when information is sent from the Fund Manager via transmission it goes directly to data storage and our pricers don't have to do anything with it. Fortunately for the pricing team, this is how 99% of the rates and prices are received. If you're wondering why everyone doesn't do this (I did too) it is because having a direct line into DST's network is not cheap. This means that funds being gran from people's garages probably can't afford to do automatic transmissions.

The 1%

So 1% of our data is sent in via E-mail. The actual data could be in the emails body itself, an attached pdf or an attached spreadsheet. The pricer then looks for the aforementioned information, then inputs it in a function in 3270 known as uPrice (shown below). This will deposit the information right into the database. However, if the rates are for SubAccounting funds, they will use a web application in Smart Desk. This is done because one rate is applied to potentially hundreds of funds that are in one account. The manual pricing process, while tedious, isn't particularly problematic. However, it could use a touch of automation because messing up just one rate could result in a huge fine for DST.

Missing Prices

Now you need to know of the Missing Prices/Rates List. As you might be able to tell, this is a list of every fund that should have a price by the end of the night, but does not currently. Let's assume that within their list of funds there was a fund from Acme Inc that had not yet been priced. What will our noble pricer do now?

1. All good pricers know that a majority of the rates and prices will come in at one of three times: 7:37, 8:07 or 8:37. If the pricer knows that Acme Inc's information usually comes then, they'll wait for the appropriate time to check on it again.
2. If it is among the 1% of funds that come in via email, they'll just check their inboxes. If it isn't late they'll just wait it out, the odds are that the rate will be sent in eventually.
3. If it is late and there has been no sign of a price coming in, the pricers will call the managers of the fund to see what's going on.

Hopefully, after all of that they will end up with rates for each Mutual Fund. Only once every necessary fund has a price or a reason for not being priced can we release the tables of rates and prices to our clients.

So what's the issue? Well, why don't you head on over to the next tab and find out.