FinoComp launches innovative performance calculation tool – “TierDrop” to support MiFID II reporting requirements

FinoComp, the Australian technology business providing micro-services software to the UK wealth management market today announces the launch of a new service - TierDrop. This performance calculation tool provides platforms and DFMs with the data required to meet the new reporting requirements for MiFID II on the so called “10% depreciation rule”. This rule states that clients are to be notified within 24 hours if a discretionary managed portfolio falls 10% or more in a reporting period.

This innovative new performance calculator is an independent service that calculates the performance of a client’s discretionary managed portfolios, taking into consideration capital movements, the movement of clients between models, between Discretionary Managers and with support for assets held on platform outside of models. A choice of industry recognised calculation methods are available including Simple Dietz, Modified Dietz and the more complex internal Rate of Return (IRR) algorithm, giving platforms and DFMs the ability to compare and select a common calculation method to suit their businesses.

A unique feature of this module is that it performs the calculation at various levels and presents the results dependent on the user profile; A platform user will see clients in discretionary managed portfolios across their platform, and a DFMs user will see all clients in their own discretionary managed models across multiple platforms. A revolutionary step in providing a single interface for DFMs to monitor client performance across many third party platforms.

As a distributed software module, TierDrop has no impact on the performance of the platforms and DFMs core systems. Data is updated daily, with accuracy delivered through a suite of data hygiene checks as the data is imported.

Configurable e-mail alerting ensures client communications can be sent without delay and a "Danger Zone” that highlights portfolios which are approaching the 10% depreciation mark. this gives portfolio managers the opportunity to analyse the portfolio and build a narrative which, in the 24 hour window, would be a huge challenge. This tackles the industry wide concern, that this reporting will create uncertainty and confusion with clients.

Ray Tubman, CEO at FinoComp said: “There is little doubt that the advent of MiFID II brings many positive changes including increasing transparency throughout the industry. However for platforms and DFMs running models, the requirement to report to the client a portfolio depreciation of 10% within 24hours can provide operational challenges. Whilst the rules state it is the DFM who is ultimately responsible (in collaboration with the adviser) for reporting, in practice the provision of this data can also fall to the platform to provide. We are delighted to bring to market this new innovate tool that fully meets the data requirements and can be integrated into both platforms and DFMs existing technology systems.“

Tubman continued: “History shows that the likelihood of a portfolio dropping by 10% in a single reporting period is an infrequent occurrence, but taking into consideration clients specific circumstances, and a lack of accuracy with some calculation methods, we believe that it may be more frequent than many are anticipating. This tool not only provides notice of clients with a 10% drop and those approaching this level but provides a full performance overview across the entire client base.”

A summary of the benefits is listed below:

- Intuitive dashboard and user interface to provide ease of monitoring for Platforms and DFMs
- Comprehensive calculation engine that considers capital movements throughout the period, movement between models and DFMs and assets not held in models
- Independent software component which can be quickly and easily integrated to platforms without impact on back office system performance
- Highly performance calculation to ensure any drop can be communicated with the client promptly
- "Danger Zone” so that advisors and DFMs have advanced warning of client accounts falling into the reporting