



2006 FAS ANNUAL CONFERENCE  
FAIRMONT SCOTTSDALE PRINCESS, SCOTTSDALE, ARIZONA  
SEPTEMBER 21 – 24, 2006

**REPORTS FROM KEY INDUSTRY INSTITUTIONS - FUNDSERV**

Ian Cook  
CFO and VP Corporate Services



**IDA FAS Conference**

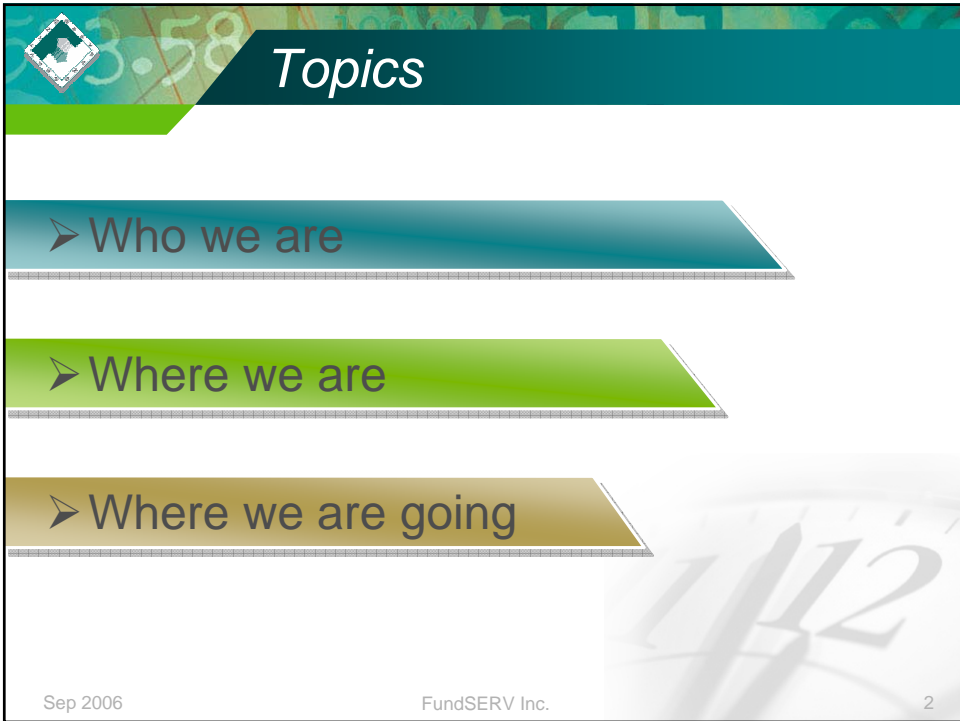
# FundSERV Overview

September 2006

Ian Cook, CA  
CFO & VP Corporate Services

*Promoting **CONNECTIVITY**, **EFFICIENCY** and **CONFIDENCE**  
within the investment fund industry*

FundSERV Inc.



## Topics

- Who we are
- Where we are
- Where we are going

Sep 2006 FundSERV Inc. 2



## Corporate Profile

- Private Canadian corporation
- 10 shareholders  
(Fundcos, service providers, distributors, SRO)
- 650 customers ~ 16,000 desktops
- 100 employees
- \$25.2M revenue
  - For-profit / cost-recovery model
  - '05 rebate \$5.9 million

Sep 2006

FundSERV Inc.

3



## FundSERV's Business

- World-class transaction processing system
- Owned by & operated for investment fund manufacturers & distributors
- Focus on risk management, service excellence, standards & security to achieve our mission:

*"To provide value-added network and application services for B2B initiatives that minimize risk and promote timely, automated interactions that reduce cost within the Canadian investment fund industry."*

Sep 2006

FundSERV Inc.

4



## Our Purpose

To provide value-added network & application services for B2B initiatives that minimize risk & promote timely, automated interactions that reduce cost within the Canadian investment fund industry

MISSION

Sep 2006

FundSERV Inc.

5



## Our Values

INTEGRITY

*provides context for all we do*

EXCELLENCE

*defines how we do things*

COMPETENCY

*reflects our skills & experience*

ACCOUNTABILITY

*ensures we take responsibility*

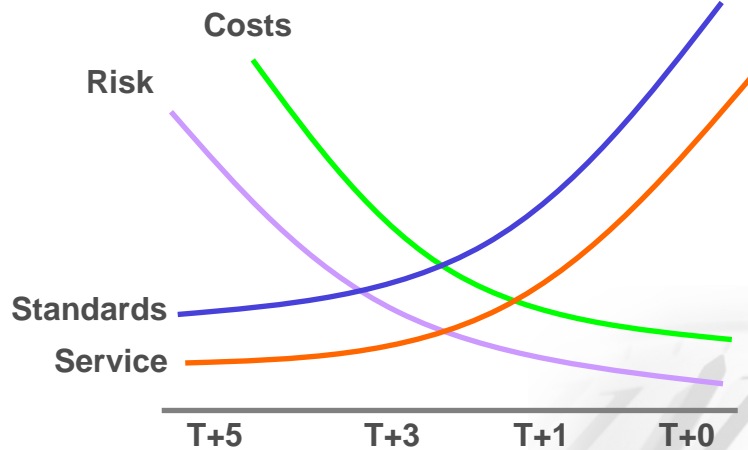
Sep 2006

FundSERV Inc.

6



## Strategic Goals



Sep 2006

FundSERV Inc.

7



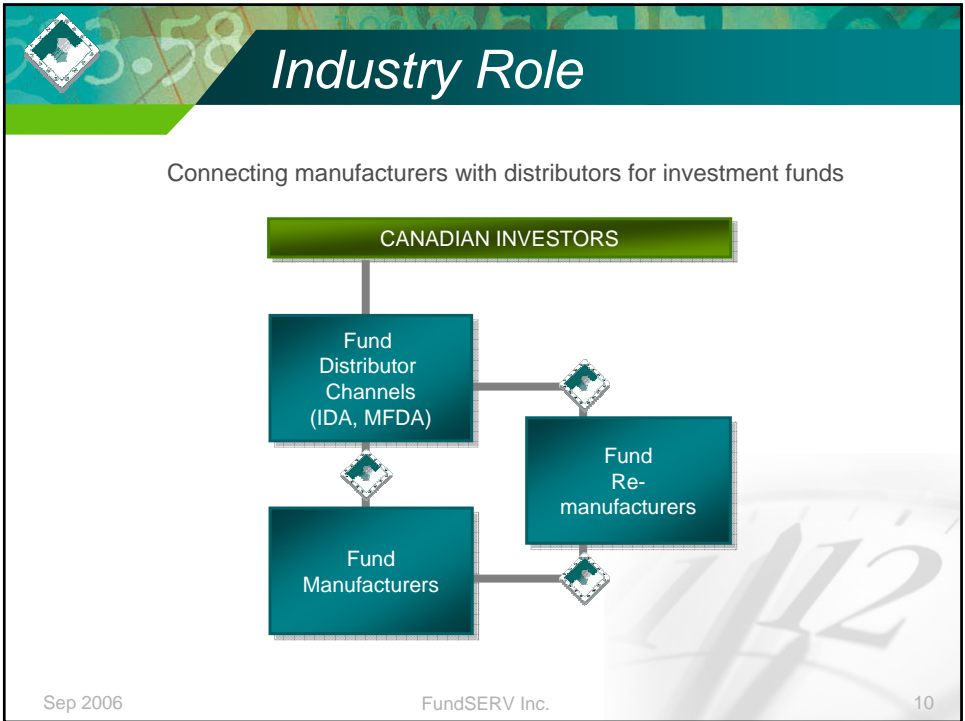
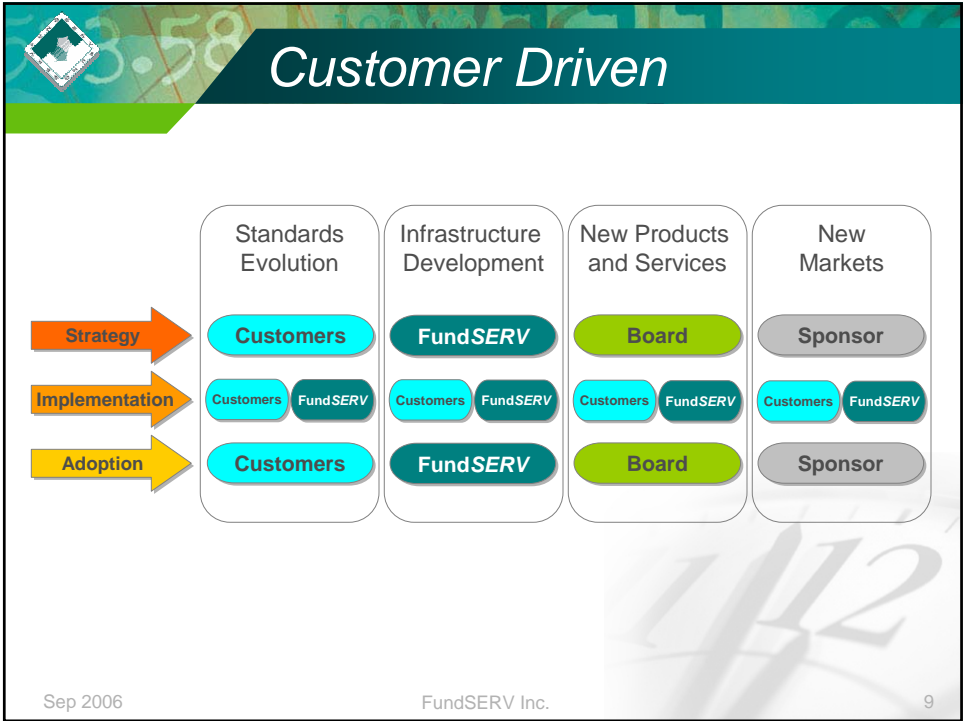
## Governance Process

- Board
  - Sets strategy & monitors performance
- Standards Steering Committee
  - Selects projects & approves standards
- Electronic Standards Group
  - Decides how & when
- Management
  - Implements & operates

Sep 2006

FundSERV Inc.

8





## Industry Impact

### 1993

Industry assets < \$40 B

Proprietary systems

- Many standards

Lack of scale

- High unit costs
- Variable Time
- Systemic risk

Limited access

- to distributors
- to products

### Today

Industry assets > \$600 B

Industry network

- Single standards

Economies of scale

- 1/10th unit costs
- 1/3rd time
- Managed risks

Full market access

- 430 distributors ~ 50,000 agents
- 219 manufacturers ~ 17,000 funds

Sep 2006

FundSERV Inc.

11



## 2005 Statistics

Transaction volumes:

➤ **By product type**

- Mutual funds  
28,251,202
- Seg funds 421,319
- Alternative products  
358,548

Automation levels:

➤ **By account registration**

- Broker/Nominee 89%
- Intermediary 78%
- Client Name 29%

➤ **By transaction type**

- Sell 85%
- Buy 74%
- Switch 45%
- Transfer 21%

Sep 2006

FundSERV Inc.

12



## Risk Management

- BCP Strategy
  - Fully operational Business Continuity Plan
  - 2<sup>nd</sup> site with high availability fail over
  - 100% availability of critical services & business processes
  - Business Impact Analysis
- Audits
  - Financial Audit
  - CICA Section 5970 Audit
    - Core Applications
    - Payment Exchange
    - Privacy
    - IT Function
    - Business Continuity
  - WebTrust Audit

Sep 2006

FundSERV Inc.

13



## Network Security

- The Public Key Infrastructure (PKI) is an environment consisting of a set of hardware, software, people, policies and procedures needed to create, manage, store, distribute and revoke security certificates based on the public key cryptography.
- PKI security
  - Strong authentication
  - Data integrity
  - Data confidentiality
  - Non-repudiation
  - Centralized privilege management
  - VPN

Sep 2006

FundSERV Inc.

14



## *Our Beginnings*

- 1993** Hub & spoke data comm network
- 1995** Transaction Forwarding System (TFS)
- 1996** Net Settlement Reporting (NSR)
- 1997** Acquired Baynet from Stardata
- 1998** Net Settlement Messaging (N\$M) & Payments
- 1999** Seg Funds

Sep 2006

FundSERV Inc.

15



## *More Recently*

- 2000** PKI & FUNDPortal
- 2001** FUNDcom & Non-Financial Updates (NFU)
- 2002** NSR & N\$M enhancements (LVTS)
- 2004** XML-conversion
- 2005** Business Continuity
- 2006** Alternative Products

Sep 2006

FundSERV Inc.

16



## Current Services

- **Reliable Network**
  - Distribution service for manufacturers
  - Product access for distributors
  - Interoperability
- **Standards & Business Processing Rules**
  - Data Standards (Proprietary, XML)
- **Workflow Management Applications**
  - Business processing defined by customers
- **Industry Confidence**
  - Order time stamping
  - Security infrastructure (PKI)
  - Business continuity assurance

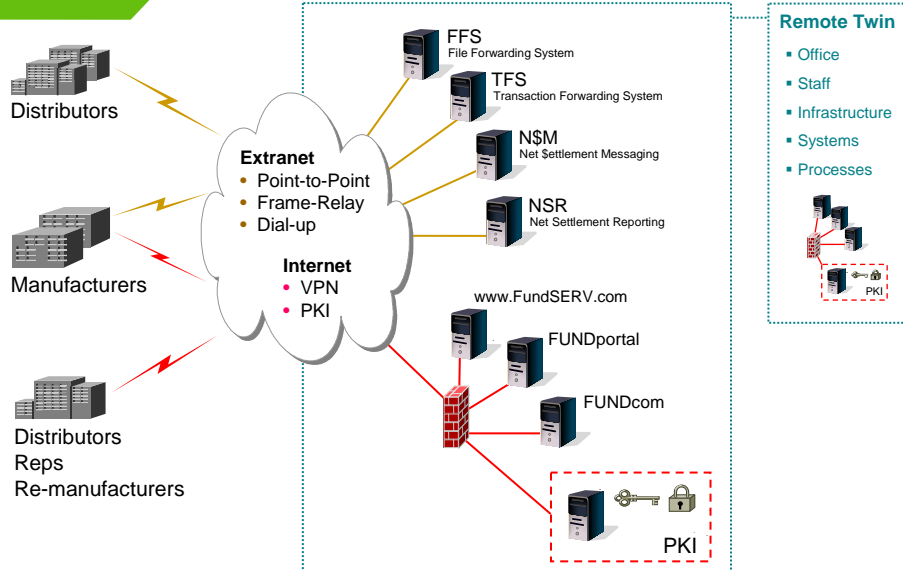
Sep 2006

FundSERV Inc.

17



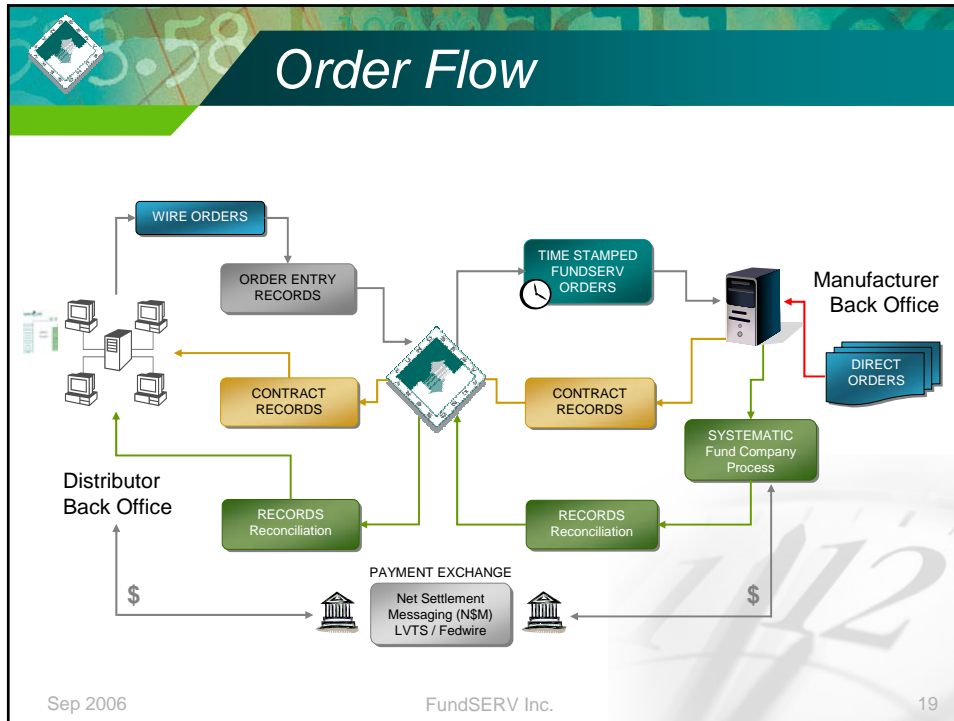
## Operational Resiliency



Sep 2006

FundSERV Inc.

18



## Current Customers

- Core market
  - Advisor distribution of third- party investment funds
- Segments
  - Manufacturers
    - Mutual funds, segregated funds, alternative products including hedge funds, offshore funds & notes
  - Distributors
    - Brokerage firms, mutual fund dealers, insurance companies & agencies, fund of fund managers, accredited investors
  - Intermediaries
    - Trust companies, registration providers

August 2006

Note: Some companies have multiple codes representing different brands.

Sep 2006 FundSERV Inc. 20

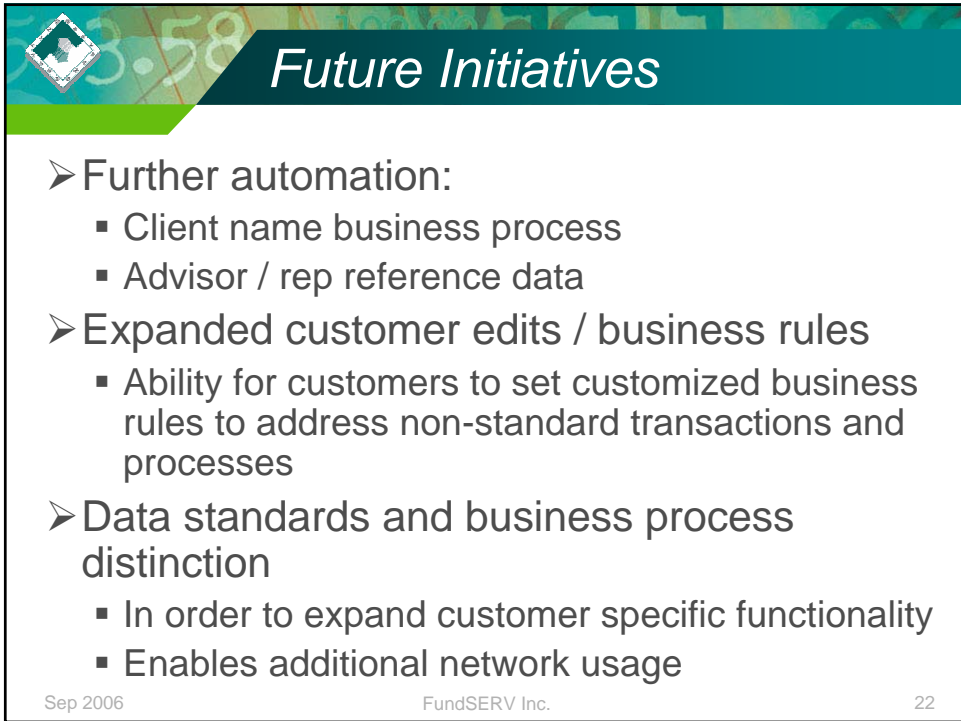


## FundSERV Stakeholders

700 customers including:



Sep 2006 FundSERV Inc. 21



## Future Initiatives

- Further automation:
  - Client name business process
  - Advisor / rep reference data
- Expanded customer edits / business rules
  - Ability for customers to set customized business rules to address non-standard transactions and processes
- Data standards and business process distinction
  - In order to expand customer specific functionality
  - Enables additional network usage

Sep 2006 FundSERV Inc. 22



## *Our Purpose*

To be the acknowledged global leader in low-cost, low-risk straight-through-processing for the investment fund industry

VISION

