

e3m Investments relies on UniVerse to reduce the costs—and improve the efficiency—of its back room trading operations



e3m Investments Inc.

e3m Investments Inc. is the world's only investment dealer that uses only real-time software systems to undertake all of its brokerage activities, including managing client relationships; maintaining broker compliance; and analyzing, preparing and executing all equities and fixed-income trading - all of which is seamlessly integrated with automated securities clearing, settlement, custody, accounting and regulatory reporting.

Situation

Toronto-based e3m Investments was founded in 1991 as a stockbrokerage firm to service retail accounts. It has restrained itself in size while developing its software platform, to a little more than 600 active customers. With this software now complete, e3m is presently launching an expansion to take it far beyond these parameters. In order to compete against major competitors - including Canada's largest banks - the company needed to be far more efficient in its operations. According to Robert Goldberg, President & CEO of e3m Investments "One of the biggest costs that any broker faces is clearing and settlement, which are slow and expensive administrative functions that can require hundreds or even thousands of employees. We needed a way to automate the entire process so that we could process transactions at a fraction of the cost and in a fraction of the time."

Implementation

In order to build his business from the ground up, Goldberg turned to Asynchron Systems Inc., which specializes in the development of custom software solutions in the multivalued environment. "A lot of times we get called in to help update an older system, but with e3m we really built this from the ground up, even before they launched the company," says Asynchron founder Seth Blumenstein. We sat down with them and figured out that they needed an infrastructure built on UniVerse, one of the flagship multivalued database products from Rocket Software.

According to Goldberg, "We use the system for clearing and settlement. When a customer buys a security such as a stock, bond or derivative, we have to negotiate transference of the physical or electronic certificate for cash. This is automated with UniVerse in real time, so from settlement to reconciliation is almost instantaneous."

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Key benefits:

- Full regulatory compliance
- Instant reporting, versus 2-3 days for many traditional brokers
- Seamless oversight of remote offices
- Real-time updates of all key data
- Trades can be executed by a small team, significantly reducing operational costs
- Lower learning curve for programming

“What we are doing is truly unique in the financial world. We are so singular in our structure that our costs are almost incomprehensible to the industry. Our key differentiator is that we can execute all of our work much faster and much cheaper than any of our competitors, which would not be possible without UniVerse as the backbone of all of our integrated operations.”

Robert Goldberg, President & CEO, e3m Investments



Benefits

The results of the implementation have been nothing short of stunning, according to Goldberg. “We are able to do with three employees what the major banks need thousands of people in their back and mid-offices – people who are making an average of \$50,000 a year - to achieve. Every year we get audited by the Canadian financial regulators, and every year they are fascinated that we can do everything the larger institutions do with such a highly efficient and small operation. Frankly, the reason that our solution is not the industry standard is because brokerage houses are very political places where people fight for stature and bonuses. Implementing a system like ours is risky because it would create huge internal conflicts within the mid-size and larger firms of the financial industry.

The UniVerse-based system is not only technically efficient, but it has created several bottom-line benefits for e3m Investments. “Our cost per trade is infinitesimal,” says Goldberg. “When our biggest competitor has an army of 2000 people in their back office and we have three people supervising settlements, the numbers really stack up in our favour. Even our smaller competitors have more than 100 people doing what we can do with a fraction of that number. And because we have such a low head count, we don’t need to build a massive sales infrastructure to support its costs, we don’t need to pay for a huge office, or spend on expensive outsourced back-office functions.”

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