

THREE YEARS TO \$16 BILLION – MATRIX CAPITAL PROFITS FROM FLEXIBLE DESIGN

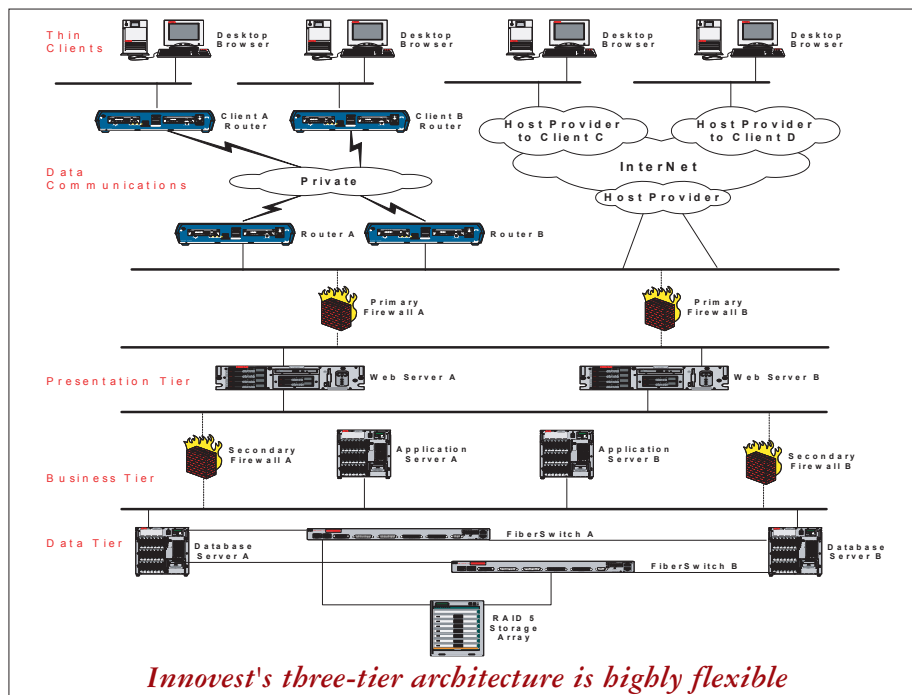
When Denver's Matrix Capital Bank decided to enter the mutual fund servicing business three-and-a-half years ago, it surveyed the field for best technology. Most of the systems in trust and custody – running on mainframes of large UNIX systems – had been around for about two decades. And while they have added some colorful user interfaces and Web front ends, the systems themselves are as flexible as one might expect from COBOL.

"If you are working with legacy systems, you must process the way they process, explained R. Clifton D'Amato, CEO of Matrix Settlement and Clearance Services, who wanted to offer innovative, customized services to his clients at banks, trust companies, and third-party administrators. One of these innovations was separate cash balances for deposits, settlement, and disbursements, so clients could improve their business processes, better protect assets, and eliminate errors.

"It would be a significant advantage for third-party administrators, but also a significant departure from the way all other trust systems work. It would require true access to data online. The big trust systems couldn't customize, but when we met with Innovest, they were able to demonstrate how they could handle separate cash buckets. Their architecture was a true Internet-enabled system, not old iron in COBOL with an Internet front-end slapped on. It has all the editing capabilities we required, which made our decision very easy."

Innovest, based in New York, has built its entire system on a three-tier Microsoft platform with presentation, business logic, and data. It is offered on a browser-accessible application service provider basis with a thin client on the desktop, Microsoft Internet Information Server and the data stored on Microsoft SQL Server 2000 in a fault-tolerant cluster.

"We set out to be revolutionary, not evolutionary," explained William Sullivan, vice president for strategic partnerships at Innovest. "We're addressing a crying need for modern technology in the trust industry; no single trust company has enough clout with vendors to get them to develop new systems,



and especially for wealth management firms."

Innovest's modern platform offers users far more flexibility than legacy systems. "For example, said CEO William Thomas, "we can go into the back office of a trust company and see how they like to do their processing and then wrap our system around their existing practices or around the way they want to process. That's a big contrast to the legacy system vendors who come in and tell trust companies they can run their back office only the way the legacy system does the processing. If a firm needs to accommodate wealth management, we can do it.

For example, if a client wants a different statement design, Innovest draws on the flexibility of Microsoft SQL Server and Crystal Report Writer to make the requested changes.

"Instead of three months, it usually takes a day or two, and it's generally not worth the trouble to bill them for it. When we tell clients that, they nearly fall over. Some think we must be pretty naïve because we are almost dismissive of the problems, but that's a problem which shouldn't be there any more; it should have gone away years ago."

At Matrix, said D'Amato, Innovest was able to modify the data editing process so that if the firm encounters a data hiccup, only the wrong bits of data – not the entire batch – are sent to a repair queue.

"I am doing nearly 500,000 trades a month, and we touch less than one-tenth of one percent of the transactions. I can do that because of the flexibility the Innovest system provides us in the edit and repair queues."

What has the system done for his business?

"We started with zero three-and-a-half years ago, and we are now trading close to \$16 billion for our customers, with a back-office staff of 35 people. And we are providing our customers with the services they need. I had customers come and ask for new online access to certain items and Innovest was able to turn it around quickly. It didn't require a massive rewrite. From zero to \$16 billion in three-and-a-half years has been a good run for us because they provide excellent service, and since we touch almost nothing, we have extremely high accuracy.