



Addressing Best Practices for NAV Oversight and Resilience with Milestone Group

SUMMARY

Challenge:

Recent regulatory influence has prompted our clients to seek a NAV oversight solution with greater auditability and objectivity.

Solution:

BNY Mellon worked with Milestone Group to design a suite of innovative, provider-agnostic solutions to deliver enhanced NAV oversight and contingency for the investment industry.

Benefits:

The new solution enhances resiliency in the event of any outage, strengthens independence, and aggregates reporting for faster knowledge sharing.

THE CHALLENGE

Over the past several years, the role of oversight as a key control function to monitor and help ensure the availability and accuracy of net asset values (NAVs) released to the market has gained attention by regulators for its importance in the fund accounting lifecycle, particularly when services are outsourced. Regulators have encouraged firms to examine their own, as well as their critical service providers' business continuity plans, assessing how natural disasters, acts of terrorism, hardware or software failures, or the unavailability of key personnel due to pandemics would impact them.

Ultimately responsible for the availability and accuracy of their funds' NAVs, fund managers must monitor the service providers delivering these outsourced calculations—not only to adhere to their compliance guidelines, but in an effort to protect investors and ensure superior levels of client service.

Recognizing this industry need, BNY Mellon looked to increase the value for its clients and deliver a solution to support the oversight process.

THE SOLUTION

In 2020, BNY Mellon launched NAV Solutions, a provider-agnostic suite of services that deliver greater NAV oversight and resilience for the investment industry. Leveraging agile FinTech software from Milestone Group the solutions provide clients a cost-effective way of independently validating the accuracy of their NAVs on a pre-NAV release basis, through standard validations. These services can be extended to act as a back-up NAV allowing our clients to demonstrate to their regulators and fund's board that they have taken measures seeking to ensure that accurate and timely NAVs can be distributed in the event of an outage of their primary fund accounting provider.

NAV Solutions can be used for funds serviced by BNY Mellon or other providers, and offers the following services:

NAV REVIEW

To create a comprehensive view for clients, fund accounting data is aggregated from one or more service providers. After aggregation, a validation of rules with a full audit trail provides clarity and transparency, along with additional NAV validation and oversight reporting.

OVERSIGHT WITH EXPECTED NAV

In addition to the above functionally, Oversight with Expected NAV offers an independently calculated NAV based on independent sources for market data and transactions. This allows a comparison analysis with primary NAV to be performed and the detailed and timely detection of NAV anomalies.

BACK-UP NAV

To address resiliency across one or multiple service providers, Back-up NAV provides a NAV calculated independently of the primary accounting service provider or accounting platform. This NAV can be disseminated in the event of a primary provider outage, including multi-day outages.

RESULTS

The results greatly enhance our client offering, address the industry's growing need for oversight, and deliver a solution that helps clients manage risk and improve transparency and efficiency. Allen Cohen, Global Head of Fund Accounting and Administration noted of the solution, "Our NAV Solutions offer clients the means to demonstrate to regulators and their fund's board an independent, evidence-based, repeatable best practice for oversight and resilience of their outsourced operations."

"Our NAV Solutions offer clients the means to demonstrate to regulators and their fund's board an independent, evidence-based, repeatable best practice for oversight"

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