



Rosenkamp

Asset Control Attracts Capital From Fidelity Ventures

By Chris Kentouris

April 9, 2007 - Data management systems company Asset Control announced a series of strategic moves last week that were fueled by an infusion of capital from Fidelity Ventures, a firm closely tied to mutual fund giant Fidelity Investments of Boston. Now Asset Control's majority owner, the Fidelity arm has installed one of its venture partners, former Reuters Americas CEO Phil Lynch, in place of Asset Control chief executive Ger Rosenkamp, who becomes chairman.

Concurrently, Asset Control, which Lynch had identified for Fidelity Ventures as "the most promising emerging financial technology company," acquired TAP Solutions, a Vancouver, Canada software company that has established a niche in the data management market using Microsoft Corp. technology platforms. Financial terms of the transactions among these private entities were not disclosed.

The deals, coinciding with Interactive Data Corp.'s acquisition of the corporate actions data business of Xcitek, reflect a heightened interest in and recognition of the rising stakes of rationalizing and streamlining data management as a key to enterprisewide efficiencies in the securities industry. Regulation-related concerns such as operational risk and the Sarbanes-Oxley Act's accountability provisions require accurate and centralized stores of data on which any and all system applications can draw.

"The timing for this investment with Fidelity Ventures is right, given the rapidly growing importance of data management," said Rosenkamp, 59, who founded the Beesterzwaag, Netherlands-headquartered Asset Control in 1991 and will retain both a board seat and what he called a "substantial minority" interest. Lynch, 47, will be joining the Asset Control board with Fidelity Ventures partners Anne Mitchell and Simon Clark.

The decision to reel in TAP Solutions, whose executives said they had been seeking equity financing for more than a year, is part of a plan to expand Asset Control in the second and third tiers of the financial industry. It has a prestigious client base that includes ABN Amro, Barclays Capital, Barclays Global Investors, Harvard Management Co., Societ Gnrale and Wachovia, and has "a great reputation among tier-one institutions," noted Fidelity Ventures' Mitchell. "We decided that purchasing TAP Solutions gave us a faster time-to-market with a credible product offering and channel partners for tier-two and tier-three markets," she added.

Lynch, an 18-year Reuters veteran who headed the Americas unit from 2001 to 2005, after Thomas Glocer had been elevated from that position to his current one as group CEO, was brought into Fidelity Ventures on the understanding that he would identify a strong opportunity and move into it as CEO. "Asset Control has a solid financial foundation on which to grow to the next level," Lynch said. "We will immediately focus on building out the management team, integrating TAP into its infrastructure and winning new customers."

The Dutch-born Rosenkamp is a well-known figure in the data management business who has been credited with coining the term "golden copy" to signify a valid, centralized source of data that can be applied consistently throughout an organization. Asset Control's strong position in the specialized market is being challenged by the likes of GoldenSource Corp. of New York, diversified financial technology powerhouse SunGard Data Systems and AIM Software in Vienna. All are trying to make inroads with many financial institutions that continue to rely on homegrown systems and manual procedures.

Asset Control has 35 direct buy- and sell-side clients licensing its data-scrubbing and integration engine known as ACPlus. Although Asset Control's initial emphasis was on continental European financial firms dealing with market-data management issues, it has expanded into reference data and has offices in London and New York as well as the Netherlands.

The reach of ACPlus has been extended through a managed reference-data service of consulting firm Accenture, which relies on the technology in delivering a "hybrid model" for data management that combines internal and external resources. A spokesperson for Accenture in New York said that the firm did not expect any changes in its alliance with Asset Control under the new management.

Billion-Dollar Business

Boston-based research firm Aite Group projects that firms will spend upward of \$2 billion by 2009 on information technology alone for a combination of homegrown and third-party data management systems. That would be up from \$1.4 trillion in 2006, a modest growth curve that Aite senior analyst Adam Honor said has been held down by "a lot of resistance on the part of senior management to buy into the concept that they need to change the data management process. It's an expensive proposition and difficult to prove a return on investment."

According to Mitchell, Fidelity Ventures selected Asset Control after a year-long analysis of more than 100 companies active in front- to back-office financial technology. "We saw an increasing demand for reference data solutions, and Asset Control provided us with a global presence and excellent customer base," said Mitchell. What's more, it fit Fidelity Venture's specifications for investing at a company's "go to market" stage, when they need capital to "accelerate their growth."

For Fidelity Ventures, which actively manages \$800 million of investments, Asset Control is the latest in a series of financial technology plays. Others include Prosper Marketplace, a San Francisco company with a person-to-person loan system; money transfer service Xoom Corp., also in San Francisco; and online credit monitoring and collections company eCredit in Dedham, Mass. Also in the portfolio are compliance systems company Qumas, Colt Telecom Group and federated identity specialist Ping Identity Corp. Fidelity holdings that did initial public offerings include pioneering electronic game maker Atari and speech-recognition developer Nuance Communications.

Rosenkamp said that Asset Control was "approached by a number of parties who expressed an interest in the firm"one was believed to be the acquisitive SunGard but he would not elaborate. He said that Asset Control, while owned by him and other individuals, did not experience cash-flow problems, was never up for sale and was not seeking equity financing, though he was considering stepping aside from day-to-day management. "The tie-in with Fidelity Ventures was spurred by conversations with Phil [Lynch], who approached Asset Control with an offer," he said, adding that except in 2001, Asset Control was profitable every year for the past decade.

TAP Synergies

Officials at TAP Solutions and Asset Control agree that their strengths are complementary. Asset Control's is in creating high-quality golden-copy data for downstream distribution, while the TAP system provides for the actual retrieval and movement of data across applications from a centralized repository. Although Asset Control had considered creating a "lighter version" of ACPlus, said Rosenkamp, it ultimately decided to go the acquisition route.

"There are significant links and strategies between our products," said Bob Bell, president of TAP, which has six clients including Mizuho Securities Co., Olayan Investment Management and Abel-Noser Corp.

TAP started out in 1990 as a business process reengineering and data management company and focused on the financial services industry several years later. The TapMaster system was launched in 2005 as a modular turnkey data management software platform, using Microsoft .Net technology with a SQL Server 2005 database.

"We did not have the corporate scale on our own to appeal to a worldwide risk-averse audience," said TAP vice president Simon Blyth. "While equity financing to fund organic growth was our original intention in going through the process, it became obvious that we would be much more attractive to both customers and investors if we were part of the first truly multidimensional solution to the reference data problem."

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