asset servicing times

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Bob Currie - *Group Editor*
bobcurrie@blackknightmedialtd.com
+44 (0) 208 075 0928

Jenna Lomax - *Deputy Editor*
jennalomax@blackknightmedialtd.com
+44 (0)208 075 0936

Carmella Haswell - *Senior Reporter*
carmellahaswell@securitiesfinancetimes.com

Lucy Carter - *Junior Reporter*
lucycarter@blackknightmedialtd.com

Brian Bollen - *Contributor*

James Hickman - *Lead Designer*
jameshickman@blackknightmedialtd.com

John Savage - *Associate Publisher*
johnsavage@assetservicingtimes.com
+44 (0) 208 075 0931

Justin Lawson - *Publisher*
justinlawson@blackknightmedialtd.com
+44 (0)208 075 0929

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Welcome to the 2023 Asset Servicing Times Technology Annual.

Throughout 2022, the financial services industry recovered from the COVID-19 pandemic. It was the first year since 2020 that the virus hadn't necessarily been the main headline.

As the year unfolded, the financial services industry adjusted to a different landscape — one with war in Europe and increased global interest rates.

As the new year approaches, the asset servicing workforce will be faced with significant costs and though this is nothing new, broadly speaking, technology will bring both opportunities and challenges to this niche part of financial services.

With many financial institutions facing such tight budgets, choosing the right vendor has never been more paramount for the industry. Rupert Booth of MYRIAD Group Technologies details how the company is enhancing to widen its existing capabilities, while Vicky Dean of Goal Group explains why she and the company are proud to be market disruptors.

Elsewhere, John Lehner of software company FundGuard outlines why front-to-back and cross-industry operating models will pave the path for the future. In house, AST's Lucy Carter examines why the industry must embrace managed services or risk falling behind, while Brian Bollen talks to AccessFintech and Deutsche Bank about the importance of straight-through processing.

With an eclectic mix of industry comment, starting with deltaconX AG's Paul Rennison, we hope you enjoy reading through this Technology Annual. In closing, we take the opportunity to thank all partners who have helped the team put it together.

Jenna Lomax
Deputy Editor

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Euronext completes acquisition of Nexi technology businesses

Euronext Group has finalised acquisition of the technology businesses currently powering MTS and Euronext Securities Milan from Italian technology provider Nexi. The transaction was first announced in June.

The transaction, worth €57 million, is expected to strengthen the core operations of MTS, Euronext's fixed-income trading platform, and Euronext Securities Milan.

Nexi, a paytech firm in Europe, has been a partner of choice of MTS and Euronext Securities Milan for more than 30 years, powering their technology.

The transaction enables Euronext to fully internalise the technology powering MTS and Euronext Securities Milan, formerly Monte Titoli.

It also strengthens the core operations of MTS and Euronext Securities Milan, delivering on Euronext's strategy to create value utilising its integrated value chain and technology.

Following the transaction, Nexi will continue to provide technology services to Euronext under transitional arrangements and other services under related commercial agreements. ■

Corporate actions industry must collaborate to maximise technology efficiency, CorpAction panellists say

Technology in the corporate actions industry was a major topic at this year's CorpActions London conference, with rapid changes in regulatory, client and market demands meaning that companies are having to continually reevaluate their operating models.

Speakers on the 'Best Practices In Corporate Actions Automation and The Search For STP', 'Reimagining the Corporate Actions Operating Model' and 'Future-Proofing Models for Asset Servicing' panels all considered recent industry developments. Panellists discussed where corporate actions departments stand, what is being demanded of them and what they should be doing going forwards.

"It is hard for the operating model to truly change without lots of elements falling into place," according to Will Stevens, executive director of markets asset servicing at J.P. Morgan. "Technology, risk and outsourcing must all be taken into consideration before progress is made," agreed Julie Leigh, global head of asset servicing at Morgan Stanley.

"Rapid developments in the IT space have increased the number of solutions on offer," said Madhu Ramu, managing director of corporate actions at S&P Global Market Intelligence, but he added

that many of these have not yet benefited operational users. The technology available to the industry needs to be brought into operational workflows, he argued, to most effectively benefit the workforce and clients.

Firms must maximise the use of technology to increase levels of automation and decrease levels of doubt, Ramu continued. This was an idea echoed throughout the conference, with Morgan Stanley's Leigh agreeing that making existing infrastructure more scalable should be a priority. J.P. Morgan's Stevens acknowledged that abandoning legacy technology will take time, but stated that a single platform was the ultimate goal that the industry should be working towards.

Cost may also be a concern, as Steven Edwards, EMEA corporate actions manager at Invesco noted during the earlier 'Best Practices In Corporate Actions Automation and The Search For STP' panel. Automating particular pain points and using in-house technology to its maximum efficiency can be a lower-cost solution for many companies, he added.

Artificial intelligence (AI) is also a growing element of the industry's technology, which Sanjay Prasad, Head of Capital Markets and Wealth Management, US, Canada and UK at TCS BaNCS, suggested companies must use for a specific purpose or risk adding unnecessary complexities to their operations. He suggested a gradual approach, embracing 'AI-assisted' technology, which still incorporates human intervention, before considering an 'AI-enabled' approach.

The issue of unnecessary technology additions expanded across the panels, with Michael Collier, executive director of product management at J.P. Morgan, summarising that firms need "the right technology for the right solution for the right purpose". Onboarding new technology without consideration of how it will benefit end users is likely to cause reputational damage and further problems down the line, he added.

Along with AI, cloud technology has also been a considerable change over recent years, and has received widespread acceptance according to TCS BaNCS' Prasad. Rather than a solution to a single problem, the cloud allows for the 'fungibility' of market intelligence, data and people and provides data access and interconnectivity, he highlighted.

Considering what the industry needs to do to adapt to this fast-moving environment, panellists agreed that collaboration between companies is something that needs to become commonplace. Collaboration is 'the future', according to Paul Duffy, product head at Xceptor Tax Solutions. Firms must focus on the 'end-client benefit', with external cross-organisational and internal cross-departmental collaborations needed to deliver improved services to customers.

AFME and Protiviti report calls for coordinated approach for further cloud innovation

65 per cent of cloud services are provided by just three entities, whose dominance is raising concerns among financial regulators, a report by the Association for Financial Markets in Europe (AFME) has found.

The AFME report, entitled 'State of Cloud Adoption in Europe - Preparing the path for Cloud as a Critical Third-party Solution', finds that this entity dominance, among other factors, is making it more difficult for firms to adopt cloud services and fully leverage their potential.

Financial institutions are also subject to multiple different regulators that may ask for the same information in different formats and through different channels, the report adds, with regulatory fragmentation and long approval times preventing financial institutions from innovating and slowing the pace of cloud adoption.

AFME cited the management of disruption in the cloud as a significant barrier to further innovation, with several high-profile cloud service outages highlighting the need for greater visibility and confidence in cloud providers' abilities to predict, manage and communicate disruptions.

This is mainly due to the fact that "regulators expect financial

institutions to have primary responsibility for resisting threats to operational resilience, to guard against service disruptions and to recover from incidents," the report outlines.

AFME suggests nine recommendations for policymakers to address these challenges, including considering how cloud solution providers (CSPs) could be encouraged to provide greater transparency on resiliency, dependency and security issues within cloud services.

It outlines that greater visibility and analysis of dependencies between regions and the underlying control plane within each CSP is paramount. It also says that the adoption of multi-cloud strategies should remain at the discretion of individual financial institutions and should not be mandatory.

Such a mandate could increase, rather than address, systemic concentration risk, the association warns.

In terms of regulatory complexity, AFME requests that authorities consider an approval model for deploying services to the cloud at a platform level, or remove time requirements for notifications, to reduce delays in the approval process.

The association also encourages greater coordination between the European Central Bank, European Supervisory Authorities and

Swift Go adds more than 300 banks during 2022

SWIFT indicates that flow of new business onto its Swift Go payments service has tripled to more than 500 banks over 120 countries during 2022.

This solution aims to deliver speed and transparency to payments of up to US$10,000, enabling users to send USD, GBP and EUR cross-border with a breakdown of how much it will cost them in payment fees and other deductions before they execute the transfer.

SWIFT intends to expand the range of currencies supported by this service as more banks join the payments community.

More broadly, SWIFT indicates that it has made important advances over the past 12 months in helping to fulfil the G20 objectives of greater speed, transparency, choice and access in cross-border transactions, while delivering these goals at lower cost.

The Brussels-based financial messaging and solutions provider highlights that nearly half of transactions over the SWIFT network now arrive within five minutes and two-thirds reach end beneficiaries within 60 minutes. This is moving closer to the G20 target of settling 75 per cent of transactions within one hour.

It aims to strip out costs across the trade lifecycle, supporting this goal through enhancements to its prevalidation service which verifies account information against more than four billion accounts in its database to identify errors in payment instructions before they are executed. ■

National Competent Authorities to ensure a consistent application of outsourcing. It asks that Information and Communication Technologies' third-party registers also ensure minimum duplication for financial institutions and supervisors.

ASX faces industry criticism for delay to CHESS replacement project

The Australian Securities Exchange (ASX) has faced industry criticism after choosing to pause its CHESS replacement project, as part of a plan to "reassess all aspects" of the planned update.

The decision follows ASX's own internal assessment and the completion of an independent review, conducted by Accenture.

The independent report identifies significant challenges with the solution design and its ability to meet ASX's requirements.

ASX's decision has been called "a barrier to the country adopting technologies", by Tony Boyd, a columnist for the Australian Financial Review.

He adds: "Unfortunately, ASX management and its board of directors have proven over the past seven years they do not have the technical skills to manage a large-scale technology project, or the self-awareness to know that what they are doing is investing in a technology dead end."

Despite the controversial decision, the ASX has said the current CHESS system "remains secure and stable", and is "performing well".

Accenture's review was commissioned by ASX to review aspects of the CHESS replacement project focused mainly on scalability, resiliency and supportability of the application, and to advise on confidence in executing the application delivery plan.

It finds that the application software is 63 per cent complete when considering functional requirements.

However, the report also identifies complexity in the integrated solution design, including in the way ASX requirements interact with the application and underlying ledger.

The report identifies vendor management issues in the way teams from ASX, and its delivery partner Digital Asset operate and interact, which present challenges in project delivery.

The report also observes a "number of inefficiencies" in the delivery lifecycle through to testing, with siloed execution and reporting resulting in misaligned views of status on delivery progress, risks and issues.

Commenting on the report, Damian Roche, chairman of ASX, says: "We began this project with the latest information available at that time, determined to deliver the Australian market a post-trade solution that balanced innovation and state-of-the-art technology with safety and reliability.

"However, after further review, including consideration of the findings in the independent report, we have concluded that the path we were on will not meet ASX's and the market's high standards. There are significant technology, governance and delivery challenges that must be addressed.

"ASX provides critical market infrastructure. What we do matters. We must do it right and we will."

Effective today, 17 November, ASX has appointed Tim Whiteley as project director for the next phase of the CHESS replacement project.

He will be responsible for revisiting the solution design, establishing new project governance arrangements, strengthening vendor management and positioning the project for the next delivery phase.

CHESS' original go-live date was set for April 2022, but was then pushed back to April 2023, mostly due to the impact of COVID-19 on the industry, particularly throughout 2020 in areas including collaboration and productivity.

Though, in 2021, most users indicated that they could meet the new proposed live date of April 2022, many asked for extra industry testing as well as more time to prepare for the new system. ■

Regulatory transaction reporting: getting it right

deltaconX AG's Paul Rennison explains how and why data quality is fast becoming the zeitgeist of global regulatory rewrites

deltaconX's market is regulatory transaction reporting. It provides this service to more than 200 EMEA-based clients across both financial and non-financial markets.

deltaconX provides these firms with the ability to meet their obligations against ten global regulations by mapping to one unified data set, all via one platform. It provides a network of connectivity to licensed third parties, trade repositories (TRs), approved reporting mechanisms (ARMs) and regulated reporting mechanisms (RRMs), who then provide the data to regulators and national competent authorities. This is what we call the 'reporting chain'.

It is the external influences on this chain that affect the technology choices deltaconX has made, and will continue to make, in the development of its service. Regulations, and the underlying requirements imposed on firms, are very fluid and subject to change. The more regulations that a firm is obligated to follow, the more this fact becomes apparent.

There are great challenges in remaining compliant, and for service providers to offer flexible technology to support this in a timely and cost-efficient manner. Historically, firms have looked at a dual option to meet their obligations — they either build a solution in-house, or they procure a solution from an external provider.

Following the 2008 Financial Crisis, the markets saw a plethora of regulations to ensure that risk was monitored and investors were protected. Regulators began to collect data to be able to assess the state of certain markets. From there, MIFID, EMIR, the Dodd Frank Act, REMIT and SFTR were developed, to cover particular assets and jurisdictions.

The obligation to provide detailed information about a trade through its lifecycle became common for all. With that came the need for market participants to continue to make major investment in transaction reporting.

deltaconX develops its service and technology to support around the principle of problem solving — it looks at its clients' and prospective clients' needs to ensure that they remain compliant and that they can reduce the operational and cost touch points for their regulatory transaction reporting.

Timely reporting

When you start to look at the drivers of the coming regulatory rewrites, such as EMIR REFIT, the regulator is focusing on the quality of the data, and improving their ability to aggregate and analyse the data in a timely manner.

A good example is the increase in the number of fields that will be reconcilable under EMIR REFIT, and the set timetable for counterparties to remediate any issues highlighted to them via the TRs.

deltaconX's solution to this problem, and to similar drivers on the theme of timelines, is to offer and promote straight-through processing (STP). It offers a range of methods by which clients can submit data, including file upload, via deltaconX's SFTP, and manual entry directly into the graphical user interface.

deltaconX provides a library of templates to aid those who prefer this method, and for those who have lower volumes to deal with. However, the preferred method to facilitate operational efficiencies, and to remove operating risk, is to provide a representational state transfer application programming interface (API) to enable underlying clients to submit data to deltaconX on a continual basis — as and when that data is marked as reportable on their source systems.

deltaconX's unified data format, used for the API, allows clients to submit their data in a single and consistent data format, combined with stable STP processes across all regulations.

Due to deltaconX's underlying STP architecture, it is able to submit data straight from ingestion into its platform, and then to the required reporting channel, within milliseconds. This allows clients to benefit from the earliest possible notifications related to their data and to identify the overall reporting status of their transactions.

deltaconX's API also allows for a two-way flow of the data in near real-time, and it can pass back the 'status' of the reported trade to the clients' source system by the same method. This allows all systems to mark the trade's status in sync, when and if required.

deltaconX

> "deltaconX provides firms with the ability to meet their obligations against ten global regulations by mapping to one unified data set, all via one platform"

deltaconX

Enhanced data quality

Over the last 10 years, regulators have collected vast amounts of data from market participants. However, much of this data did not match or pair.

Due to data schemas, or field guides that are open to interpretation, counterparties are often reporting the same trade differently, especially in the over-the-counter (OTC) market.

There has been much work by organisations, such as the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), to establish and enshrine these common data terms, so that trades can be definitively identified and stamped.

This is in addition to the further levels of prescription of definition at the field level, within the regulatory technical standards and implementing technical standards published by the regulators. The overarching goal is to increase the matching, pairing and reconciliation of trades being reported, especially within dual-sided regimes such as EMIR.

Data quality has always been an area that deltaconX has focused on. The complex rules engine within its solution verifies incoming data against reference or static data that is held via the client, or from third-party reference organisations such as the Financial Instruments Reference Database System. This is carried out to ensure the accuracy of the data, whether this is the legal entity identifier (LEI) of the client or counterparty, or to validate where a particular trade should be reported.

We are investing heavily in this space, given the importance of the regulators' focus on data quality. We see the standardisation of reference data, common data elements, such as the unique product identifiers (UPIs) for OTC trades, and the increased range and complexity concerning data validity as clear indicators that deltaconX needs to provide its clients with access to best-in-class solutions in this space.

deltaconX will increase its partner network to grow the scope of its 'reporting chain'. It has searched the market for partners that offer two distinct services that add value to its clients, as reporting becomes even more data quality-centric.

One of these partners provides an aggregation and validation service for all publicly available reference data or common data, such as ISIN, UPI or CFI codes. These are essentially the building blocks for accurately referencing and stamping what has been traded, whether that be an exchange-traded derivative or OTC contract.

deltaconX has partnered with RegTechDataHub (RTDH) to integrate its service into deltaconX's transactional live validation and processing engine. Each single transaction will be validated against available public domain data in the RTDH and, where necessary, automatically enriched or corrected.

The validation and processing engine allows deltaconX to integrate a simple API call against the provided endpoints from RTDH — providing its clients with full, automated public domain data validation and enrichment service across their whole reporting chain.

Through a partnership with Kaizen Reporting, deltaconX will focus on post-reporting evaluation and accuracy testing. deltaconX will provide post-client approval and secure access to a three-month period of reported data for EMIR, MIFIR or SFTR.

Kaizen will review this data and report back to the client via deltaconX, at field level, on the accuracy of their submission, beyond what is valid and acceptable to the TR against the Level 1-3 requirements of the regulator. To enable the client to be prepared for future changes, it will also highlight what the regulator may be implementing or changing in the future based on their Q&As. deltaconX will automate the transmission of this data and feed a presentation of the results directly into its platform, for the client's interpretation and remediation purposes.

Volume of change

There are also challenges surrounding the volume and regularity of changes implemented by regulators for market participants to remain compliant.

It is not every year that regulators conduct a global review of the obligations and decide to rewrite them. However, even within a business-as-usual cycle, there are regular reviews and updates concerning particular fields or changes to third-party, TR or ARM validation rules. There is also the question of interpretation.

Consideration of the above requires diligence and investment to manage and maintain systems on a full-time basis — depending on how a solution has been deployed, this can be a major headache, invasive, evasive, or standard operating practice.

deltaconX utilises a private cloud provider in Switzerland and has ISO 27001 accreditation across the data chain, to provide a framework to monitor for best practice and to provide its clients with reassurance around the husbandry of their data.

Using the latest underlying technologies, such as Kubernetes, enables deltaconX to build its micro service-based architecture in a way that ensures data segregation, encrypted communication and data storage for each underlying client, as well as across the whole platform. This ensures security is directly embedded into the core of deltaconX's service.

On the performance side, deltaconX has been an early adopter of technologies using Elasticsearch services to deliver an unrivalled user experience for its clients.

By using deltaconX's user interface, clients are able to query and search all their data at the click of a button. This allows data aggregation as well as segregation in 'no time'.

This decision has allowed deltaconX to solve a number of classic issues around the speed of adopting third-party driven changes for data structure, format, validation or transmission. This means deltaconX can manage the framework more effectively, and can ensure that its clients are always up-to-date and compliant.

> "We will continue to identify the best ways to meet market demands, and the best ways to invest our money and resources going forward, to ensure we can offer an industry-leading service to our client base"

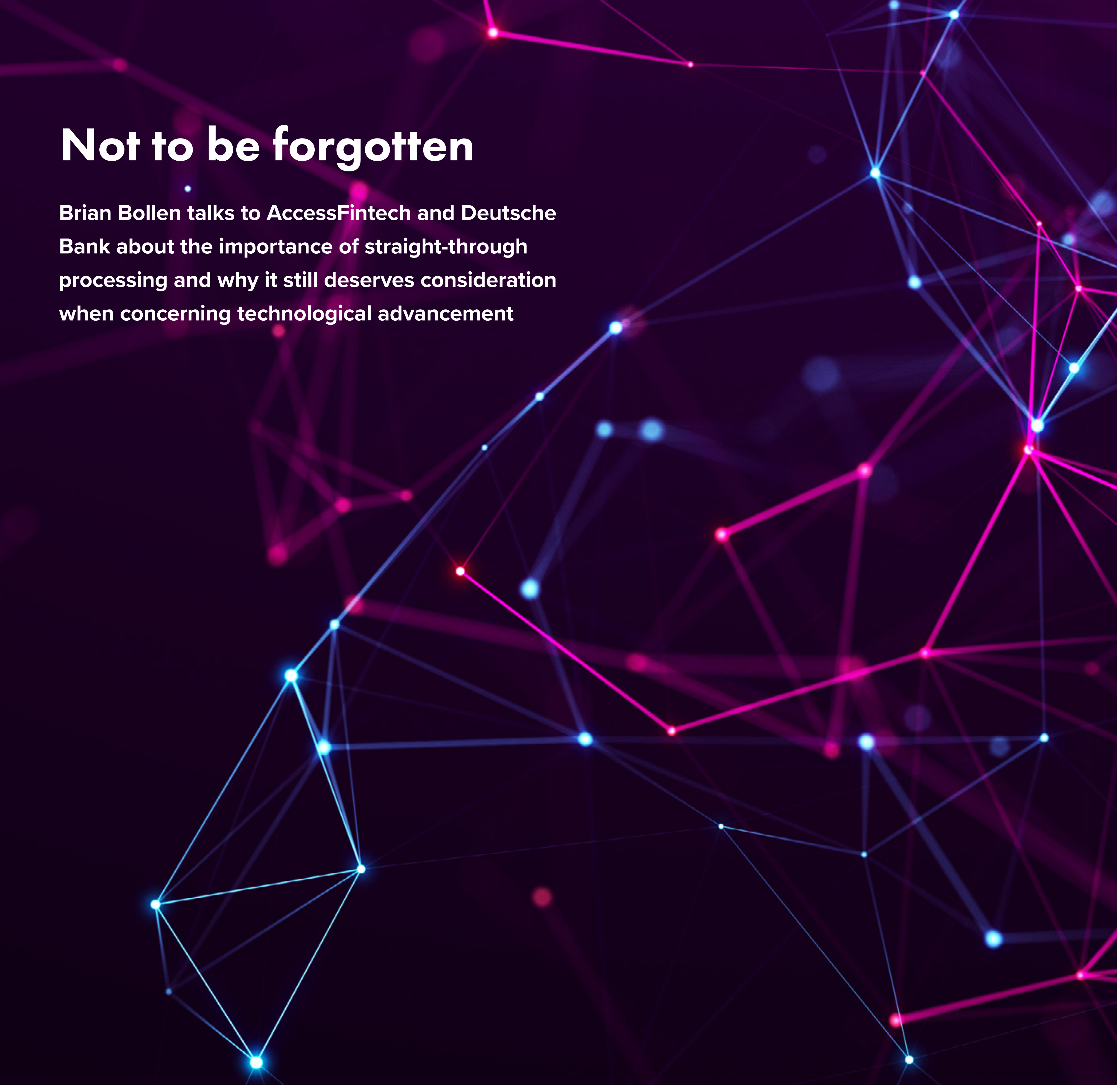
The process also removes considerable internal change management costs from deltaconX's clients. It demonstrates the benefits of such a model, in risk mitigation and total cost of ownership reduction to potential clients who may still be using older third-party systems or in-house systems.

A new benefit of this approach has come about through our choice of data centre partner — SWISSFLOW — and how they manage their business, given that the data centres are high-energy consumers. SWISSFLOW's decision to operate solely on electricity generated via hydro means that it is able to demonstrate a very strong non-carbon footprint.

We will continue to identify the best ways to meet market demands, and the best ways to invest our money and resources going forward, to ensure we can offer an industry-leading service to our client base. ■

Not to be forgotten

Brian Bollen talks to AccessFintech and Deutsche Bank about the importance of straight-through processing and why it still deserves consideration when concerning technological advancement



It has long been mandatory to use the phrase 'Holy Grail' in any oral or written consideration of straight-through processing (STP).

"Automation is not in itself the same as STP", states Pardeep Cassells, head of securities and claims at AccessFintech. "We hear less and less about STP these days. It is a long-running conversation, but it has fallen off the radar and been replaced with 'automation', which is a broader brush noun."

Cassells is on a mission to restore the phrase 'STP' to its deserved prominence, both in discussion and in practice.

"Some element of distinction should be made between STP and automation, with an emphasis on eradicating manual intervention. Any organisation can tell you what its STP rates are for different niche sectors, such as foreign exchange and securities matching, but not for others."

On 22 September, AccessFintech announced the successful completion of a US $60 million Series C funding round, led by WestCap as the lead investor.

Additional investment was secured from BNY Mellon and Bank of America, with further participation from Series B investors Dawn Capital, J.P. Morgan, Goldman Sachs and Citi.

This latest funding round follows a $20 million Series B and brings the total capital raised to $97 million since 2018. The new funds will be used to accelerate AccessFintech's growth as it expands its collaborative data management network to additional markets.

Roy Saadon, CEO of AccessFintech, says: "We are fortunate to fuel our next stage of growth with partners that combine a highly regarded growth venture capital and global strategic investors. We are poised for a period of significant expansion and look forward to working with all our investors as we launch in additional markets."

> "The introduction of ISO 20022 is, at its core, an exercise in harmonisation, but this does not mean that the approaches to the migration have themselves been harmonised"
>
> Christian Fraedrich, Deutsche Bank

Payments

In a move that could hardly have been timed better for the purposes of adding ballast to this feature, the Bank for International Settlements (BIS) issued an article on 9 September entitled 'Harmonisation of ISO 20022: partnering with industry for faster, cheaper, and more transparent cross-border payments'.

With most of the world's payment systems adopting the ISO 20022 messaging standard by 2025, the coming years will be a crucial period for converging on a harmonised use of ISO 20022 to fully leverage its potential for making cross-border payments faster, cheaper and more transparent, BIS begins the article by stating.

The article provides an update on a workstream of the G20 cross-border payments programme focused on the harmonisation of ISO 20022 for enhancing cross-border payments. The work is being driven by BIS' Committee on Payments and Market Infrastructures (CPMI). The article includes highlights from a stocktake survey of global ISO 20022 adoption by payment system operators, explains BIS.

Also provided is an update on the CPMI's work, through a joint task force with industry specialists from the Payments Market Practice Group (PMPG), on developing requirements for a harmonised use of ISO 20022 for cross-border payments. These requirements would come into effect in 2025, when SWIFT will discontinue its support of the current MT standard for cross-border payments, notes BIS.

The conclusion states that a more interoperable future in cross-border payments messaging is within grasp as payment systems globally implement the ISO 20022 messaging standard — a key enabler of better and more efficient STP, perhaps?

One waits all year for papers on ISO 20022, and two come along at once. A separate paper on ISO 20022 emerged in September from Deutsche Bank Corporate Bank.

In his introduction, Christian Fraedrich, head of business architecture for corporate bank at Deutsche Bank, says that as we near the milestone transition dates for cross-border payments and the eurozone, end-to-end implementation will help accelerate innovation and unlock new payment offerings.

High on the agenda is the challenge of data truncation, he says. "The introduction of ISO 20022 is, at its core, an exercise in harmonisation, but this does not mean that the approaches to the migration have themselves been harmonised."

Fraedrich adds: "The cross-border space will migrate to the new messaging standards – ahead of some of the world's major markets. The Bank of England, for instance, will only migrate in April 2023. This creates a five-month period – November 2022 (SWIFT go-live) to April 2023 (CHAPS go-live) – where some participants might face an issue of converting the data-rich SWIFT ISO 20022 into the UK's legacy CHAPS MT messages."

> "Tight labour markets have placed a premium on research talent, as many firms strengthen their research capabilities to take on new topics and hone their investment edge"
>
> **Shane Swanson, Coalition Greenwich**

While no one would question the importance of technology in delivering essential services to clients, whether retail or wholesale, there are always at least two sides to every story.

Further findings

New research from Coalition Greenwich claims that asset managers are also aiming their future research budgets squarely at human talent. According to the report, asset managers plan to invest in human research talent on a three-to-one basis over data acquisition or technology over the next three years, having spent billions of dollars expanding their internal technology infrastructure, acquiring new data feeds and planning to continue to do so.

Two-thirds of the firms participating in the study say they will target human capital over technology investments and data acquisition in their research spending in the coming year.

The primary focus will be on hiring and retaining fundamental analysts, followed by portfolio managers and quantitative analysts. Some 56 per cent of the respondents will seek an increase in spending for analysts with an ESG specialty.

"Tight labour markets have placed a premium on research talent, as many firms strengthen their research capabilities to take on new topics and hone their investment edge," says Shane Swanson, senior analyst at Coalition Greenwich Market Structure & Technology and co-author of 'Research in 2022 and Beyond: Investment Research Talent and Technology Solve the Deepest Data Challenges'.

This presents the complete results of a Q1 2022 study in which the firm interviewed 66 buy-side market participants in North America and Europe about the institutional research process.

Although talent is the top priority, asset managers will continue to invest in technology and analytical platforms that drive the modern research function. To address the challenges of data proliferation and integration, buy-side firms in the study have adopted a number of research management strategies, including adopting informal tools (74 per cent), vendor revenue management systems (34 per cent) and internally built risk management solutions (32 per cent).

Within their research technology budgets, buy-side firms are specifically focusing on improved and intelligent search (50 per cent) and improving corporate access (40 per cent). In these straitened times, it is reassuring to be told that despite the best efforts of IT departments, accountants and managers, there remains a future in the offices of financial institutions for people.

However, anecdotal evidence repeatedly suggests that against the backdrop of chaos caused by COVID-19, many of these have escaped to the country and are showing a distinct reluctance to return to their dust-gathering desks. ■

Innovation:

Learning from the past, creating the future

Rupert Booth of MYRIAD outlines how the company is enhancing to widen its existing capabilities while keeping up with the market’s need for ever-changing and new functionalities

“When the winds of change blow, some people build walls and others build windmills.” Despite my having wheeled out this ancient Chinese proverb in an attempt to begin this piece in an interesting way, it is nonetheless a succinct and insightful quote, summing up the spirit and meaning of innovation beautifully. It is as relevant to us in the financial software industry as it is to windmill construction in the face of bad weather. Technology was, as recently as the 1990s, the instrument of government, and government was able to regulate its use — often using it to manage the country and control the populace.

In some despotic regimes this unfortunately remains the case, but generally, in the free world, technology advancement has accelerated at such pace that governments are overwhelmed by data they cannot process quickly enough.

In the early 21st Century, most governments managed their countries but no longer led them. Unable to innovate, many left the important decisions in the hands of the free market. What does this have to do with us? Quite a lot actually, since being able to innovate in a technological world means being at the forefront of, for better or worse, societal advancement.

In the banking world that has broad implications, when so much comes under scrutiny and so much data needs to be transferred, gathered, re-homed, made sense of and have its value extracted. Succinctly, turning data into intelligence.

As data farmers, this industry must ensure that the banks it serves receive what they need in terms of intelligent solutions, even if they don’t know that they need one. They must employ the creative process of conceiving that solution, and then innovate in the creation of it.

Building upon what’s already there is a driver toward this; what already exists may be specialist, but if a specialist application stayed specialist, it would come to a dead stop pretty quickly as its target market shrank.

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MYRIAD Group

It is vital, therefore, that MYRIAD takes on board the emerging and perceived industry developments — workshopping a platform to serve new areas of financial services, enhancing it to widen MYRIAD's existing capabilities while constantly applying fresh thinking in the pursuit of additional functionality. MYRIAD can only do this because it has what it needs to start with; it leverages what it has as a solution to help the company redirect its thinking and applies this to achieve a new, desired result.

This attitude is a solid foundation upon which to base development — using an established, robust and reliable platform, modifying and adding to it to match and anticipate market demand and becoming cutting-edge in the process.

As financial institutions transform their thinking to stay compliant, reactive and competitive, so must MYRIAD – even before they do. No idea is so outlandish that it should not be considered.

Applying MYRIAD's traditional approach to the market shapes how the company develops its products before approaching the market once again. The next generation of any platform must present new and effective functionality that clients will probably not have considered. These functionalities may only become desirable once they have been presented to clients.

MYRIAD 'Next Gen' is the manifestation of all that I have outlined: a rolling process of the enhancement of existing capabilities and the introduction of reactive, and more importantly proactive, elements. As MYRIAD establishes application programming interfaces (APIs) between its platform and the client's own read and process unstructured data, expand ICSD invoice reconciliation capabilities, introduce revolutionary network visualisation and overhaul and upgrade advanced reporting and task management workflow — the client receives a refreshed and progressive product. The platform is the same, but its value to the user is considerably raised in a continuing cycle of revitalisation over a period of years.

MYRIAD constantly encounters prospective and existing clients who expect it to go the extra mile and we relish the challenge. It fosters the furtherance of knowledge, boosts our drive to perform and gets us to market.

We know that we can enable operations and supplier management departments to do more with less — to save money and crucially, to manage risk. Since day one, MYRIAD has done this through constant innovation and it is a continual process that persists through change. MYRIAD knows where it is going, perennially anticipating needs and pushing for excellence.

When financial institutions implement measures to absorb industry legislation into working practice and strive to comply with regulation and recommendation, new product and service development is a key concern, along with improved technological application. Many must accelerate their programmes to meet the effective deadlines and, naturally, the supporting technology has to accelerate with it. This means innovating current services to appeal to these firms to win business and to retain existing clients.

The Digital Operational Resilience Act (DORA) is a particularly important concern as banks scramble to comply. It enters into force in Q1 next year and will become fully applicable in early 2025. DORA's objective is the improvement of the digital resiliency of the entire financial system. Almost every type of financial institution across the EU will be required to ensure that their suppliers and their suppliers' security controls meet resilience standards.

MYRIAD's technology, data handling and security must be sufficiently robust so as to withstand more intense scrutiny in the future as prospects and clients quickly perform gap analyses to comply and further shore up their resilience.

Development of an information security management system to ISO27001 Standard is a manifestation of forward-thinking to reassure clients that their data is safe and that their provider is strictly audited, internally and externally.

If a business is to stay ahead of the game, then it should introduce change to the market, challenge the status quo and shape the way the industry thinks, behaves and develops. The small matter of custody due diligence is always front-of-mind for the banks on either side of the custody chain, and progressive standardisation is always a big driver in the uptake of services.

The Association of Financial Markets in Europe (AFME) standard due diligence questionnaire is used widely. Despite the standard, there has been no universal mechanism that achieves a synergy between the various vendor platforms – until now.

MYRIAD Group Technologies has developed its 'Next Gen' iteration of the CODUDE platform, providing an AFME-aligned utility, housing the new excel-based questionnaire format. It offers interoperability across all due diligence platforms, further standardising the procedure at the fundamental and initial stage.

The due diligence environment for the buy-side and the sell-side is improved industry-wide as a result.

The increasingly complex demands and tightening rules imposed upon banks, asset managers and other financial institutions is why business technology providers, if they want to stay attractive to the industry, have to move with these requirements, which they must also properly research and understand.

Their service must be developed in sync with the complex and shifting industry environment, providing compatible services which can be slotted into the existing gaps and hooked-up harmoniously with current proprietary operational systems.

Such development at pace craves innovation, and this starts with questioning the existing order. If the product is good, or if the potential is there, then build upon it. If it can be wrought from the same material, construct it. If it's the best there is, make it better.

If you are possessed of a unique and relevant technological network solution, with a highly respected client base, then it's alright to feel positive about your progress.

But it's no good being satisfied with what you have — you'll quickly become obsolete.

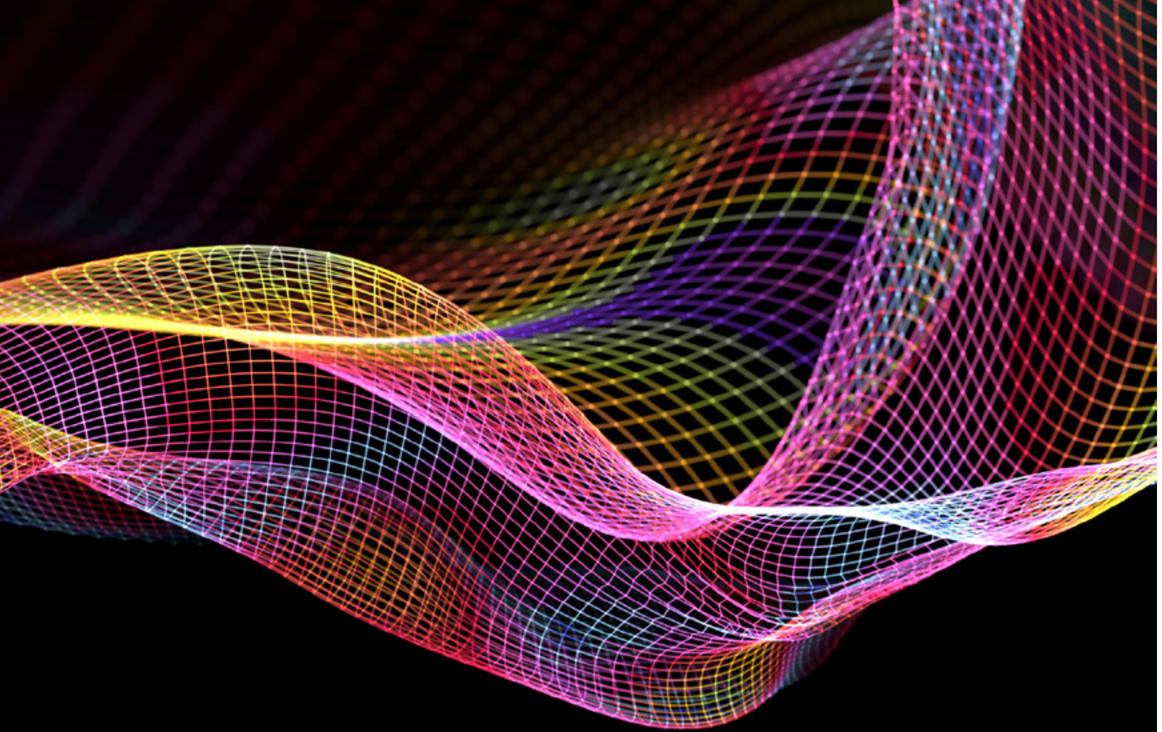
This might be an obvious statement to any business owner, but it is particularly pertinent to vendors of financial technology as the commercial landscapes of their customers constantly change and become more convoluted and exacting.

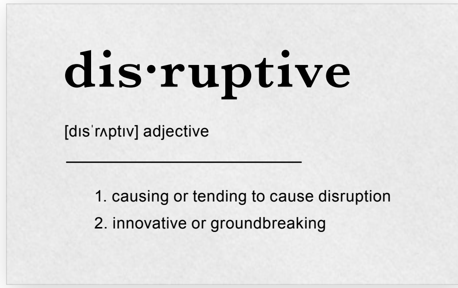
MYRIAD, as such a vendor, must accommodate the needs that these qualities engender to make a product more relevant, diverse and agile. Providing more choice, covering more ground and supporting the broader, deeper responsibilities of the executives within the industry we serve is imperative. This can only be achieved through the process of innovation; it's nothing new – but it is important, now more than ever. ■

Rupert Booth
Marketing and business development
MYRIAD Group Technologies

When being disruptive pays dividends

Vicky Dean of Goal Group explains why she and the company are proud to be market disruptors and why it is important to understand the difference between the offerings of standard service providers and those who go against the grain





If we cast our minds back to our school days, many of us were described as 'disruptive' (or we at least knew someone who was described as such). It was probably the most overused word on school reports! Back then the word had negative connotations, associated with someone being difficult, loud, distracting and hard to work with. So, when did being disruptive become a positive?

Being disruptive, or being a market disruptor, has become a description aligned with progressive thinking. It can mean that a person, or a business, is not afraid to break out of the mold, providing clients and partners alike with a different way of thinking whilst still accomplishing excellent results and, in most cases, exceeding expectations.

Competition is fierce, especially in the asset servicing industry and post-COVID-19. Regardless of what services you are exploring, whether it be a mainstream service or something more niche, the approach is the same. Once you know what you are looking for, the next step is to source vendors and service providers who can assist. This often means engaging with industry specialists, listening to presentations, performing due diligence, requesting for proposals (RFP) and conducting risk assessments to select your preferred choice from a shortlist. More often than not, competitors' service models and offerings are the same, just branded and sold differently. So why is it so important to be aware of the disruptors in each industry, and why should the industry move forward with them?

Looking back

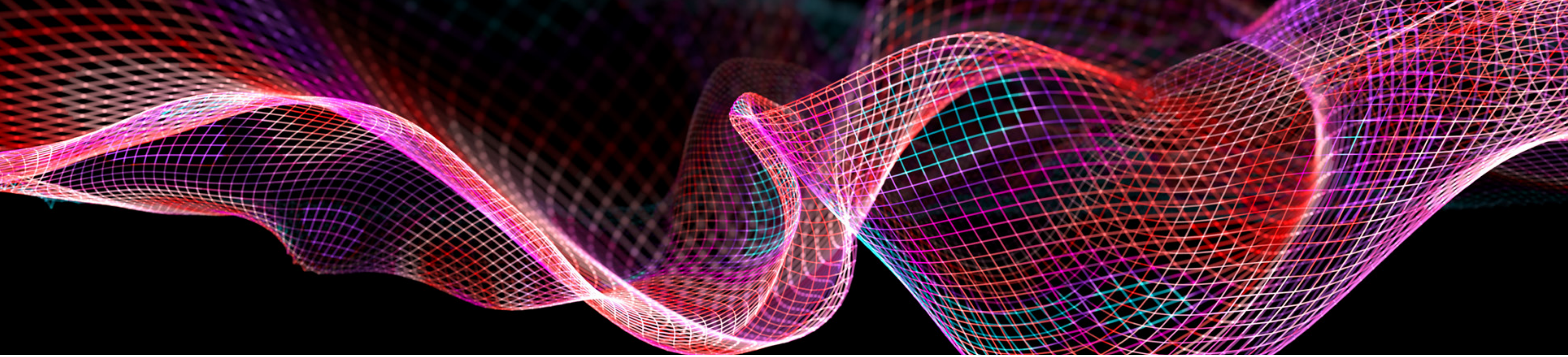
In the last 12 to 18 months, within financial institutions specifically, there has been a focus on legacy infrastructure replacement to improve speed, service delivery and efficiency, while concurrently lowering overheads and providing an elevated service offering that aligns with the new norm of remote working. This is where technology providers hold a significant advantage over service providers, who favour archaic manual processes and (often) disjointed working models. Dinosaurs have been extinct for millions of years, so why are there still so many in the asset services industry, and why is it still acceptable in 2022 to rely on labourious and inherently risky ways of working on client data? Don't accept the risk and the way companies work just because that is the way things have always been done.

With ESG and sustainability at the forefront of everyone's mind, it is essential that vendors are mindful of these factors and can actively demonstrate and promote what they are doing to show commitment to these areas. Even as a client, if you are selecting vendors that are reliant on largely paper-driven manual processes, you are contributing to the problem and creating additional risk. Don't be a part of the problem, be a part of the change by looking to vendors who offer innovative solutions.

Market disruptors

At Goal Group (Goal) we are incredibly proud to be market disruptors, having developed and successfully rolled out several cloud-based technologies which support withholding tax reclaims and securities class actions recoveries. We believe in automation and risk removal. Given the millions of permutations involved in our lines of work, the focus is on data ingestion and result output with minimal effort.

Both these areas are low on the priority list and large financial institutions do not always have the dedicated teams to deal with them as part of their



business as usual. Goal's aim has always been, and will always be, to remove the manual processes and provide robust and streamlined processes to support claims processing. This includes the fulfilment of fiduciary duty and successfully paid-for claims. Who doesn't want to receive the biggest return possible on their investments?

With streamlined technologies, specialist knowledge and intuitive client portals, Goal has taken its business from strength to strength since its inception in 1989. As a well-established provider, it works with huge industry names and experienced technology partners to ensure it always stays ahead of the curve, in terms of the services it provides to clients. With dedicated regional (and human!) client service managers, Goal is always on hand to provide support and answer additional questions.

However, none of this would be possible without fantastic leadership. Stephen Everard, Goal's CEO, has been with the company since 1992. It is thanks to his vision, industry contacts, reputation and natural inclination to be a risk-taker that Goal has grown into the successful global fintech it is today.

This is displayed through the decisions he has made and the success he has driven, which includes retaining more than 60 per cent of the market share in Australia and opening various offices around the world to push the business forward. Under Everard's tenure, Goal has also entered the US American depositary receipt space and is currently working with four major US depositary banks. In addition, Goal continues to migrate its technology and infrastructure from server-based to entirely cloud-based.

Deliberately structured to employ a variety of people who have unique skill sets, backgrounds and knowledge in the asset services industry, Goal is able to address pain points from different perspectives such as service providers, competitors, financial institutions and other small to mid-sized companies. This enables Goal to continually evolve its technologies and service capabilities to ensure it offers its clients the best and most comprehensive services possible.

Let's face it, neither withholding tax or class actions are particularly exciting — neither by the nature of what they are, nor by the processes required to undertake the claims. However, this doesn't mean the way in which they are handled cannot be original, inventive and state-of-the-art.

Goal is the only vendor in this space to offer its solutions as both outsourcing and 'insourcing' services. Through outsourcing, Goal can do the work for clients, and by insourcing, Goal can licence the technology for clients to perform services themselves.

The fact that Goal's applications can be used in-house, and that Goal is also prepared to let clients use them independently, speaks volumes.

Goal supports clients by maintaining background information to enable the withholding tax reclaims and class actions claims to be processed by ingesting data, calculating amounts and providing a simple output which includes form population, based on the millions of permutations available.

Being disruptive no longer carries the negative connotations it once did. Being disruptive is no longer about being difficult to work with, it is what every service provider should strive to be. Over the years, Goal has won many awards for its technologies, focusing on its innovation and seminal nature. Unlike others, it won't stop there.

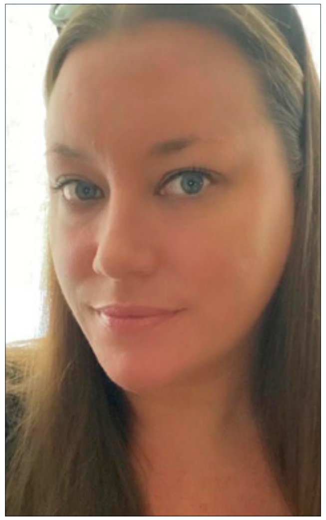
It will ensure that its technologies continue to enhance, as they have been intentionally designed to evolve, change and grow.

The core principle is setting yourself apart from the competition through being pioneering, dynamic, bold and fearless. In Goal's case, this is embodied not only in the company ethos, but also in its leadership.

Any company is only as good as its leader and we were delighted when Stephen Everard was handed the Lifetime Achievement Award at the Asset Servicing Times Industry Excellence Awards for his contribution to the asset servicing industry. Everard has more than 40 years' experience in the business and more than half of that tenure has been spent with Goal.

Being a market disruptor really does pay dividends and, in Goal's case, provides maximised return for investors and shareholders in the financial services community. ■

Vicky Dean
Managing director, EMEA and global head of client services
Goal Group



Samir Pandiri
President
Broadridge International

Broadridge

Asset management and next-gen technology

Samir Pandiri, president of Broadridge International, outlines fund management strength post COVID-19, and why asset managers need to be ready for technology adoption and even more innovation

Although the traditional fund management industry emerged from the pandemic in a strong position, the sector still faces acute challenges.

Firstly, active managers are losing out to low cost passive funds, with asset share for active managers declining 35.8 per cent over the last 20 years to 53.8 per cent, and some even speculating passives could overtake active funds on assets under management (AuM) terms by 2026. At the same time, managers are facing rising cost pressures due to new regulations and various operational requirements. In response, managers are increasingly embracing digitalisation — viewing it as a way to improve customer experiences while also obtaining cost synergies. Broadridge looks at how traditional asset managers are currently approaching digital transformation, and their progress to date.

A digital transformation journey

Broadridge conducted primary research into progress with digital transformation by interviewing C-suite executives from 750 firms globally on the buy-side and sell-side. This allowed Broadridge to categorise firms as ranging from 'beginners' to 'leaders', using a proprietary digital maturity framework.

The study found that, relative to their peers in other financial services industry sectors, many traditional long-only asset managers are at an advanced stage of their digital transformation.

In terms of their digital maturity, 41 per cent of asset managers were categorised as 'leaders', and just 9 per cent were scored as 'beginners'.

According to the Broadridge survey, 78 per cent of asset manager respondents said their main strategic priority area for digital transformation over the next two years would be portfolio management.

Operations were cited by 71 per cent as a priority, while strategic planning was also a key focus area, with 66 per cent saying they saw this as one of their top priorities for transformation.

So how are traditional asset managers leveraging technology to achieve these objectives?

Digitalisation is playing an integral role in improving the client experience. In contrast to alternatives, whose client demographic is almost exclusively institutional, traditional funds cater to a wider mix of investors.

> "The managers that utilise technology to augment client communications and experiences will likely have a competitive edge moving forward"

In fact, Boston Consulting Group says retail portfolios account for 41 per cent — or US$41 trillion — of the global assets currently controlled by active managers. Retail (and institutional) clients want the investment experience to be seamless, something which is especially true for the growing crop of millennial and digitally native investors.

With investors becoming more tech-savvy, many will want reports shared with them via apps or dashboards as opposed to email or physical correspondence. In fact, 28 per cent of investors have used a personal financial app, a figure that rises to 61 per cent among millennials.

Conscious of the changing investor dynamics, asset managers are making significant improvements to their in-house technology infrastructure. 45 per cent of managers told Broadridge that they are at the advanced stages of implementing a shift away from paper-based processes towards digital communications. In addition, 44 per cent of firms said they are at the advanced stages of developing seamless, omni-channel client experiences across devices.

30 per cent of managers noted they are at an advanced level of building micro-personalised marketing and communications that are unique to each individual user. A further 69 per cent of asset managers told Broadridge they were at a mid or advanced level of using data to improve customer experiences. Although fundraising has been strong, competition for investor assets remains high.

The managers that utilise technology to augment client communications and experiences will likely have a competitive edge moving forward.

Many traditional asset managers are also looking at ways to create efficiencies in their workflows, processes, and operations. This comes as investment firms of all types face growing operating costs – owing to regulation, added reporting requirements, and overheads arising from COVID-19. One way firms can reduce operating costs is through automation.

Replacing legacy infrastructure

By improving and automating inefficient or error-prone manual processes and replacing legacy infrastructure with modern cloud-based solutions, firms can realise significant savings and reduce risk. In fact, traditional asset managers are ahead of their counterparts in the alternatives industry, with 42 per cent of respondents telling Broadridge they are at the advanced stages of implementing a modern IT platform. Whereas hedge funds and private market strategies have been slow to integrate disruptive technologies like artificial intelligence (AI) and blockchain into their operations, traditional funds lead the way.

The study found that 28 per cent of firms were at the advanced stages of implementing robotic process automation (RPA) to automate workflow activities across the firm. 28 per cent also added they were at the advanced stages of adopting machine learning and AI tools for intelligent automation. Some managers told Broadridge they expect to make significant progress on blockchain in the next two years, a technology which could transform activities such as client onboarding, know-your-customer, and repo trading, along with regulatory compliance.

Data and analytics will be instrumental in supporting the traditional asset management industry's growth. The use cases for data and analytics are extensive, as they can be applied in investment decision making, operations, and investor relations. However, for data and analytics to yield decent results, information needs to be organised in a structured, systematised, and holistic format, which can be easily accessed across the entire business.

This can be a challenging undertaking, and only 15 per cent of asset managers told the Broadridge study they were at the advanced stages of implementing a centralised data platform. Some forward-thinking managers are even attempting to develop capabilities around predictive analytics – and applying it in operations and investments.

The Broadridge study found that 30 per cent of asset managers were at the advanced stages of using data for predictive analytics and/or other forms of advanced analysis. Such analytics can be used to fine-tune investment decisions, bolster returns, and improve operations.

However, adoption of new or disruptive technologies is not without its challenges, something the funds industry fully recognises. The Broadridge report found that 32 per cent of managers said their greatest challenge in driving digital transformation was the pace of technology change, followed by data security and privacy concerns at 26 per cent, and poor

> "For data and analytics to yield decent results, information needs to be organised in a structured, systematised, and holistic format, which can be easily accessed across the entire business"

access to quality data at 20 per cent. While these challenges can be overcome, they can clearly frustrate technology change programmes at fund managers.

Evolving for the future

Asset managers are ahead of their peers in terms of technology adoption and innovation. However, there is still a great deal of work to do to move the industry forward in its digital transformation.

With the sector targeting an investor base which is becoming more tech savvy, while simultaneously operating in an increasingly crowded market environment, digitalisation will be a critical enabler and differentiator for fund managers. ■

Time To Shine

Managed services aren't new, but they've been a source of trepidation for many small banks. However as they become more of a necessity, firms will have to embrace them — or risk falling behind

Lucy Carter reports

Managed services have been a mainstay of global banks for decades, providing outsourced support to overstretched departments. There has been an uptick in their adoption over recent years, but many, particularly smaller firms, are not yet convinced. From initially unfeasible costs and fears of disruption of business as usual (BaU), some smaller banks have maintained their misgivings about managed services despite considerable accessibility developments and a growing pressure to adopt the services in recent years.

In a recent whitepaper from S&P Global, 'Demystifying Managed Services', the company, as the title implies, explains managed services, the false assumptions held about them and the challenges that mean that they are becoming increasingly needed.

There are two categories of managed services; capacity creation and managed process. As 'capacity' suggests, the former provides more people to the company, who are focused on specific tasks and goals. The client does not have to change the way they operate and maintains control over resource allocation.

Managed process, on the other hand, combines human resources, process improvement and technology enablements. The vendor is encouraged to maximise their efficiency, and change their operations. Although this may be a more drastic overhaul to BaU, pricing models are fixed and based on outputs rather than the equivalent people-hours the company is using. If companies are willing to hand over the reins to a vendor — giving them control over resource sourcing, allocation, and deliverables — and are open to changing their operating systems, then this can be an appealing option.

Misgivings and misunderstandings

Commenting on what may be holding smaller firms back from managed services' implementation, Satu Kiiski, consulting director for global banking at CGI, suggests that they feel they are not a priority for

Managed Services

vendors, that "they will not be provided with the best resources and that their requests will not be answered quickly." She also suggests that the widespread use of cloud-based solutions may also seem like a risk, in terms of security.

Pardeep Cassells, head of securities and claims products at AccessFintech, concurs, citing perception as a major obstacle: "Small financial institutions can feel closed off from what is often seen as an expensive solution space that is dominated by Tier 1 banks and large asset managers. On top of that, smaller firms cannot necessarily afford to take the risk of paying for something that ultimately does not work for them."

Many firms believe that the cost of managed services makes them unfeasible, something only enhanced by the fact that early managed services gave companies an uncustomisable set of services that left their needs unmet and their coffers empty. However, since becoming a prominent industry feature in the early 2000s, managed services have come along in leaps and bounds.

Vendors have moved on from a one-size-fits-all approach, whereby firms have to adopt the entirety of a vendor's solution — now, "it is widespread to see an option for firms to build out their own managed services bundle from a menu of services," says Al Castillo, vice president of solutions management at SS&C Advent.

He adds: "This co-sourcing arrangement, where each party can share ownership in managing data and processes, builds rapport and trust over time." As such, companies now no longer have to invest entirely in a system that they may not need to use the full capacity of.

Giving up control of their operations can be difficult for small firms, who are accustomed to their way of working and want to maintain their independence. "They are giving up ownership and control of an activity," says Pino Vallejo, managing partner at Sionic. Vicky Dean, managing director for EMEA at Goal Group, proposes that pride may also be an issue for companies: "Taking up these services is an admission that they need to improve certain areas of the business," she says.

Why now?

To reassure smaller companies that managed services are a help, not a hindrance, providers need to reinforce the fact that managed services are not what they once were. "We need to be flexible in delivery and approach to help smaller or regional firms to see the many benefits of managed services," says Stuart Hartley, director of Qomply.

Vendors must demonstrate the benefits that their services will bring to firms, stressing the fact that they will be working with their clients, rather than remaking their systems in their own image. As Samuel Meddick, European head of managed services, network, and regulatory solutions at S&P Global Market Intelligence, says: "There has been a shift in recent years to a more customer-centric approach. The availability of more technological capabilities has meant that consumers' expectations, in terms of look, feel and speed of solutions has changed."

Discussing the most significant impacts on financial investors in recent years, the S&P Global report cites the inevitable changes that ensued as a result of the COVID-19 pandemic, disrupting BaU and forcing companies to change the way they operate. Remote work, labour shortages (namely, 'The Great Resignation'), and market volatility have all contributed to this, alongside market developments such as regulatory pressure and resulting workload variability.

There are several more positive factors driving recent adoption of managed services, beyond the need to face the aforementioned challenges. Managed services are now far faster, allowing for reduced disruption to BaU, quicker wins, and a greater long-term value than earlier models. Embracing cloud-based technology, data centres can be located worldwide whilst still ceding to local regulatory laws. This reduces the cost of physical data storage and expansion is far more feasible. Rather than the bulky, clunky, and disruptive systems that many remember managed services to be, the field now provides a far more accessible, streamlined option for clients. As Castillo asserts "over time, the cloud has significantly improved the ability to deploy, monitor, maintain, and upgrade core investment systems and, most importantly, to do so cost-effectively".

Kiiski additionally emphasises the competitive nature of the industry as a driver of change: "Financial institutions must ensure the competitiveness of digital services, the efficiency of operations and the ability to serve ever-increasing customer numbers and volumes, ever faster."

To stay in the game, managed services can be used to maintain compliance with regulations, deal with security issues, and provide expert insight.

> "Financial institutions must ensure the competitiveness of digital services, the efficiency of operations and the ability to serve ever-increasing customer numbers and volumes, ever faster"
>
> **Al Castillo, SS&C Advent**

Remote work — ally or antagonist?

Vallejo states that remote working has been the catalyst for increased managed services adoption. The necessity of improved safety for remote work during COVID-19 has eased management concerns regarding the practice, with BaU less adversely affected than many predicted. Although managed services and outsourcing were already on the rise before the pandemic, lockdowns accelerated their adoption.

A 2021 Chartered Financial Analyst Institute report, entitled 'The Future of Work in Investment Management', found that more than 81 per cent of global respondents would prefer to work remotely for at least part of the working week. Remote and hybrid work is not going away anytime soon, something that companies need to acknowledge and adapt to.

"The remote work environment has quickly become an expectation for workers in many industries, and financial services is no exception. I would argue that the adoption or expansion of managed services relationships does not introduce the risk of increased remote work; it makes it possible," Castillo says.

If companies outsource their work, particularly in a capacity creation structure, then it is inevitable that the number of remote workers will remain high. As a result, there may be concern that issues that have already emerged throughout COVID-19 may remain challenges — communications and connectivity, safeguarding, and data protection, for example. The industry agrees that the importance of due diligence and the request for proposal process cannot be overstated, ensuring that clients' data is handled securely.

Vallejo, however, outlines that things are managable. "The remote work environment is here to stay, and we believe this is the new normal," he says. "We do not see managed services as a risk but as a solution to staffing issues, rising employee costs, and operational risk mitigation."

Nick Smith, global head of managed services at SmartStream, sees remote and hybrid working as a benefit, stating that it gives firms "an increased level of resiliency against future challenges that they may face".

Therefore, managed services, and the remote working that comes with them, will not be a major barrier. However, industry opinion on the geographical complications that they will bring are mixed.

"It is no longer realistic to strive to build a team of top talent that is always on-site. It is more important to get top talent than to make sure the team stays in the same physical space," says Kiiskii, in consideration of 'The Great Resignation' and the current nature of the employment market.

Rob Johnson, chief technology officer at Coremont, suggests that the geographical spread could be both beneficial and detrimental — the biases associated with certain regions will be diminished, but the benefits will likewise be reduced.

However, although vendors will gain access to a wider pool of experts, they will not solely be within their regions. Communicating across different cultures, time zones, and regulations is already difficult, and may only be enhanced by an increase in remote working.

Nevertheless, Cassells believes that this can be overcome — if only because the language of business and specific companies transcends any globally recognised tongue. "This is where having a shared system becomes an added strength. It allows these differences to be diluted as everyone is working toward the same goal using the same system," she says.

Under pressure

Technology has not only developed in the world of asset servicing. Customers now expect far more from their banks, with reduced payment timings, responsiveness, transparency and efficiency being deciding factors as to which institutions clients decide to put their trust and capital into. Firms are undoubtedly under more pressure to increase the speed of their solutions, with T+1 looming. Managed services could be an effective solution to this, providing a way for smaller companies to survive in a more fast-paced environment.

"It is important to recognise this challenge in advance," says Cassells. "If smaller firms are looking to onboard a new solution or outsource to an external provider, they should begin this process very soon – the time it can take to review providers, go through request for proposals, and actually onboard can be surprisingly lengthy. If you leave it too long, you risk having to do the onboarding process while also adapting to T+1."

"There is no point in trying to change an engine mid-flight when you have the opportunity to do it from the safety of a hangar," she adds.

Leaving legacies

Managed services are also likely to prompt further abandonment of legacy systems, which are often expensive to maintain and quickly become outdated.

These old systems are no longer feasible in a competitive and rapidly evolving market, and the growth of managed services means that banks no longer have to be reliant on them.

Many companies have already been overhauling their systems and are looking at new ways of operating, particularly after the harsh pandemic years.

This will also work vice-versa; as legacy systems are dropped, due to technical debt and lack of expertise,

"the value proposition of scalable, technology-enabled managed services platforms will continue to increase," predicts Vijay Mayadas, president of capital markets at Broadridge.

By moving away from keeping all services in house, firms will be able to focus their efforts on the areas that are most beneficial to them and their clients. Beyond companies' existing systems, managed services allow for a far simpler and more cost-effective adoption of higher-quality expertise and technology than if banks choose to develop new services themselves.

However, not all in the industry are so sure that legacy systems have had their last hurrah, suggesting that a balance will be struck between new and existing systems. "We are looking at evolution, not revolution," says Cassell, arguing that firms "will integrate and update their processes with the help of new services".

S&P's Meddick holds a similar perspective, stating that "some functions, risk management and analytics, should remain in house. You can buy data, technology, or people, but unless you design and own the mechanism for querying this process you will not get the optimal use out of it."

The need for centralised regulation is also a focus. Meddick suggests that standardisation of regulation "streamlines execution, increases consumer transparency, and complies with global legislation," benefiting all parties involved.

The future of managed services

Managed services are projected to reach more than 200 per cent of their current market value by 2028, according to S&P Global. SmartStream is even more optimistic, claiming that this figure is "very conservative".

The question remains as to what asset servicing will look like by that time, a mere six years from now.

At this year's Association of the Luxembourg Fund Industry (ALFI) Global Distribution Conference, Broadridge's Liam Martin made the claim that the "golden age" of asset servicing was over, exploring the many difficulties that the field will face over the coming years.

He concluded his panel by assuring the audience that the market will adapt — and it seems that managed services are one such way that this is already taking place.

Cassells believes that the future looks bright: "The widespread adoption of managed services could transform and streamline asset servicing in several ways. For example, asset managers could reduce how much of their resources and operational teams are dedicated to pure data management. They could then focus on higher value tasks such as improving the quality of their service even further."

Goal Group's Dean agrees that managed services "will certainly enhance the industry, and provide an elevated service offering across all different areas."

She also emphasises the importance of safety going forwards, stating that: "The security and processes involved with these types of services mean that they are more trusted, and in some cases often sought after to ensure the asset servicing industry remains modern and in line with client expectations.

"With the addition of increased scrutiny, and awareness and education, clients will be challenging their providers to ensure the best service is always being offered."

In an increasingly unstable yet constantly accelerating world, managed services seem to be an essential tool for the path ahead. In order to adapt to increasing regulatory requirements, evolving client demands, and rapidly changing technology, firms will have to find an alternative to their current ways of working. Managed services are nothing new — but it might finally be their time to shine. ■

FundGuard

A New Era

John Lehner, president of FundGuard, outlines why front-to-back and cross-industry operating models, driven by the use of cloud-native technology and AI, will pave the path for the future

The fact that the fund management industry has a major technology problem is well known. Legacy systems, many more than 30 years old, simply were not designed for an industry that does not look anything like it did when they were developed and built.

Data volumes are not only exponentially higher than ever before, but also more varied as new asset classes and products come to market. Client expectations have also changed beyond all recognition – gone are the days of a quarterly statement and an annual meeting to discuss. And of course, regulatory change has been significant and certainly does not look like it will slow down, making it essential to embed increased transparency and efficiency, and better safeguards into all business processes.

What this means is that today's asset managers need a single source of truth, in real-time, which will enable sophisticated, cross-business operations and data insights, deliver a differentiated customer experience, and support the increased regulatory oversight.

The good news is that, as an industry, we all have a clear idea of the challenges and generally accept that we need to change. The patchwork of temporary fixes and complex workarounds that are rife across the market are not sustainable and do not sufficiently meet the need, and fiduciary responsibility, to increase alpha, reduce risk and enhance customer experience.

The fact is that today's technology and the option to implement true digitalisation can solve these problems, driving change at a fundamental level.

Doing so, however, requires an entirely new eco-system and a shift in thinking as to where middle and back-office processes become a utility, not a differentiator – a truly digital operating model.

As firms increasingly see this, the questions shift from: "what do we need?" to "how do we make this happen?" Central to this is understanding what is required, and what the immediate and long-term benefits are.

A digital operating model

We have seen industry players investing in front office and client-facing technology as a pathway to digitalisation. Unfortunately, this does not meet the true need – which is to ensure that your data, and the processes and decisions that flow from that, move seamlessly around the organisation. Digitalisation needs to start from the back and should remove barriers, not add new ones.

A true, ground-up, cloud-native approach enables this genuinely digital operating model. Implementing this solution as a utility, in which a certain base level of capabilities is standard, means that managers, custodians, and other industry players can differentiate themselves on the quality of their service and product offering — not on their ability to provide back-office processes.

Firms will benefit from the learnings and automation that can be applied across the industry, particularly in the context of regulatory requirements and oversight.

Modern trading, front office, and dashboards only work when they are powered by real-time data that is consistently, immediately, and seamlessly integrated across all touch points. In turn, this drives better decision making and enhanced analytics (and increased profitability and customer satisfaction). But for most firms, this currently does not exist.

Cloud-based solutions also make change easier to manage. New asset classes – such as the surge in interest in crypto assets currently being experienced by global markets – can be easily incorporated into existing systems in a way that is not possible right now.

It is complex, but not as difficult as it looks

Organisations are often blinded by the fear of change because they believe that significant technology projects, particularly ones requiring wholesale change, can be prohibitively expensive and resource-intensive, and often with unclear return on investment that makes it hard to justify. This is exacerbated by a lack of certainty that any project really will lead to the changes and enhancements promised in the original project outline. These concerns have dampened some of the enthusiasm for a real move towards digitalisation.

While this is an understandable hesitation, it does not reflect today's reality in which process and migration has been completely transformed by cloud technology. The complexities and difficulties of preparing for and accommodating needs such as integration, infrastructure, data, and resiliency do not exist in the same way because these are built into solutions from the start.

What this looks like in the real world is that unforeseen obstacles are fewer and less hazardous. An excellent example of this is data. For any firm considering a shift in their internal workflows and the technology that facilitates this, data is always a concern. What data exists and how it can be transformed to work in a new environment has been, in the past, a massive project in itself. Today's machine learning and artificial intelligence (AI) tools have advanced so much that ingesting, processing, and reformatting data is less complicated, as well as less risky and time consuming.

Suddenly, what was once a major obstacle becomes just another step in the process.

Being at the vanguard of change

A truly digital, front-to-back and cross-industry operating model, driven by the use of cloud-native technology and AI, is undoubtedly the future.

Firms that are engaging with this today are shaping the future of investment accounting and will be the first to see the benefits of a high-quality utility that is informed by the industry 'hivemind' and removes the pain and risk of back-office processes, freeing up time and resources for true differentiators.

Better data, better analytics, more integration, and the ability to evolve quickly are all central to today's customers, many of whom have already gone digital and expect the same from their service providers. ■

John Lehner
President
FundGuard

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Hertensteinstrasse
51 CH-6004 Luzern
Switzerland

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Born in the cloud and powered by AI, **Fundguard** is the only true cloud-native operating platform for investment and fund accounting, transforming the way asset managers and their service providers manage workflows, ever-increasing data volumes, new asset classes and evolving requirements for transparency and efficiency.

Fundguard has created a genuinely digital operating model and a new and improved ecosystem in which data, and the processes and decisions that flow from that, move seamlessly around an organisation – enabling a single source of truth that removes barriers instead of adding new ones.

Led by technology innovators and veteran industry insiders, FundGuard was founded in 2018 and is backed by strategic partners including Citi and State Street Corp, venture firms Blumberg Capital, LionBird Ventures, and Team8 Capital among others.

The industry is at a pivotal turning point and the center won't hold without a complete, ground up, back-to-front transformation. FundGuard is at the helm of this change and already delivering on promises that would be a non-starter for current legacy systems.

Join the transformation: **www.fundguard.com**

info@fundguard.com

+1 212-540-5561

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