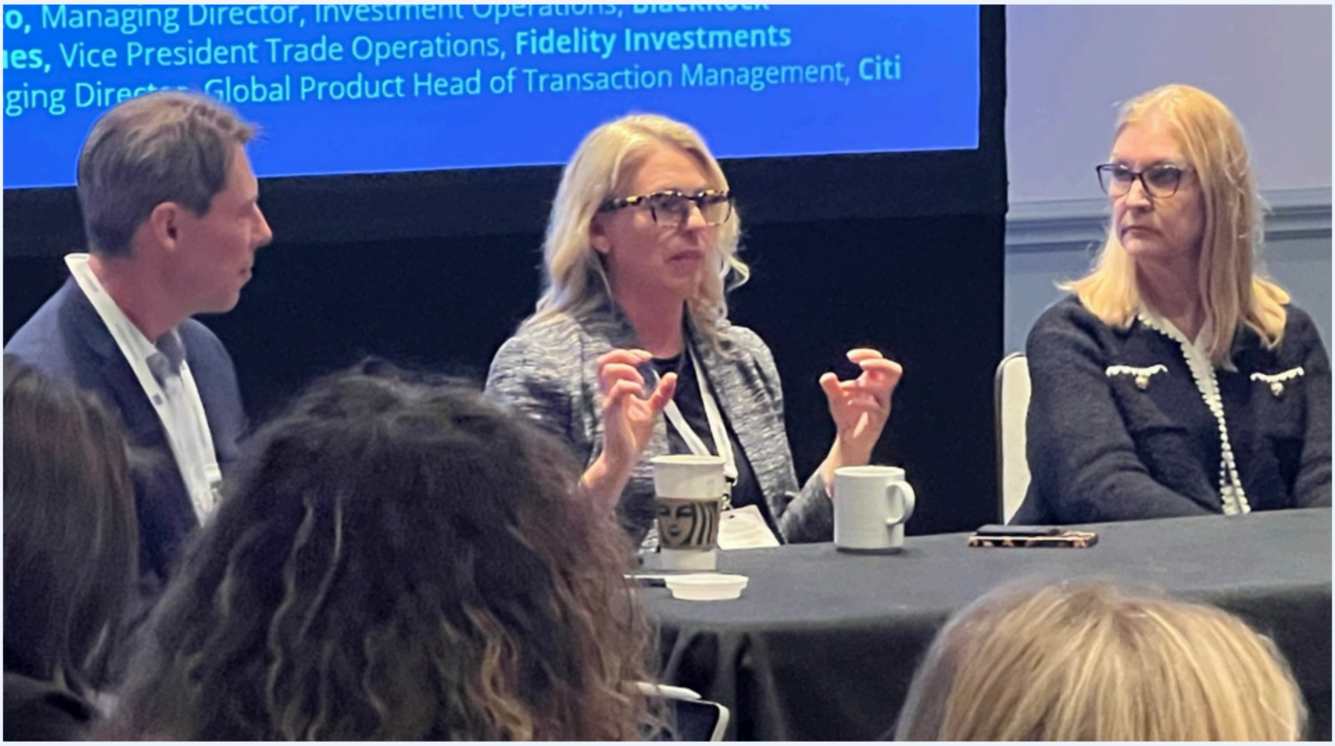
Three concrete steps... towards the future of asset management operations

As asset managers increasingly adapt their business models, it is forcing them to overhaul their operations – a subject that James Pike, our Chief Revenue and Business Strategy Officer, explored at Taskize's latest workshop for financial leaders.

Here, we highlight the key observations and themes addressed. With thanks to the two industry experts who gave us their time and shared their experiences and insights:

- Laura Jacques – Trade Operations Vice President at Fidelity Investments
- Michele Pitts – Managing Director of Custody Product Management at Citi



The $120 trillion asset management industry continues to evolve as fund managers eye up new asset classes and strategies in order to diversify their return streams, risk profiles and investor pools. Some asset managers, such as long-only and hedge funds, are supplementing their flagship products with higher-yielding illiquid strategies, including private equity, debt and real estate.

As managers oversee a more eclectic mix of investment strategies, it breeds added operational complexity, risk and cost, problems almost certainly compounded by recent macro volatility, post-GFC regulations and market reforms such as the move to T+1.

In order to keep on top of these issues, asset managers need to refine their operations and technology stacks.

Step One – start with people and process

As the nature of asset management operations changes, so too must the people and processes.

> “**Historically, trade operations were very process-oriented and fairly straightforward, but the problems people are dealing with nowadays, such as exception management, are more complicated. Today, we are really focusing on hiring people who have the right skillsets and expertise to tackle incredibly complex business problems,** explains Laura Jacques, Trade Operations Vice President at Fidelity Investments.”

With fewer resources, too, new hires are having to learn about the intricacies of asset management operations much faster than ever before, a point made by Pike.

Firms are also consolidating the number of disparate workstreams within their businesses, as they look to get a better grip on operations. As Jacques highlights:

> “**When I first moved into this role, operations teams were siloed across fixed income, equities and foreign exchange, even though the fundamentals of trade confirmations and settlements were broadly similar. We are seeing fewer siloes and greater standardisation, which means there are fewer people, but they have broader asset class expertise.**”

Step Two – get workflows in order

As asset managers and banks look to rationalise their operations even further, many are starting to transition away from email towards collaboration platforms and workflow functionality tools.

> “ **Workflow tools allow firms to benefit from automation, as users can embed certain rules or conditions to move things along, as well as escalations, if necessary. We are using workflow tools to support our onboarding efforts and to establish handoffs. These workflow solutions are helping to drive efficiencies in our operations**, notes Michele Pitts, Managing Director of Custody Product Management at Citi. ”

This brings other tangible benefits too. Through data extraction and analysis, firms can gain invaluable insights into what is happening across their operations.

> “ **One of the things I like… is the data you can get. We have tried to obtain data about certain operational processes from email correspondence, and it is simply not possible. If all of the information is located on a workflow tool, you can get information more easily. Take quantifying exceptions, for example. We can identify if exceptions involve a particular instrument, fund or bank, information which can help us address the root cause of the issue**, stresses Jacques. ”

Step Three – stay interoperable

To ensure smooth operations, asset managers need to have robust technology systems in place. Eschewing legacy technology in favour of automation is a crucial first step, especially as more asset managers start rolling out new strategies, whilst simultaneously dealing with regulation and post-trade reforms. However, there is a general acceptance amongst investment managers that it is neither practical – nor possible – to create a singular front-to-back solution, which can support multiple asset classes.

The debate over whether to build this technology infrastructure in-house or buy it from elsewhere is not going to disappear either, was flagged by Pike. While developing technology internally gives firms a greater degree of control and autonomy, it does come at significant cost, especially at a time when asset managers' margins are being badly squeezed elsewhere.

Irrespective of whether asset managers develop the technology themselves or outsource the heavy lifting to a third party, Jacques acknowledged that regulations such as the Digital Operational Resilience Act (DORA) along with clients, want firms to demonstrate that their systems are resilient and subject to robust oversight and governance.

Next, firms must make sure that their internal technology platforms are interoperable and can communicate seamlessly with other external platforms. This is echoed by Citi's Pitts:

> **“We recognise our clients are going to have different communication channels, so we need to find ways to connect to those. In other words, we need to support how clients are sending data to us in different ways, shapes or forms, and the same goes for what we are pushing out to them. We are working with industry partners to support this.”**

Getting to the next level

Asset management is getting more complicated. For operations to be fully future-proofed, firms need to make sure they have the right talent and technology in place. This is something that can be facilitated by working with best-in-class providers such as Taskize.

Our Euroclear partnership

Taskize is a member of the Euroclear group of companies. Euroclear is a global provider of Financial Market Infrastructure (FMI) services, helping its clients settle domestic and cross-border securities transactions and safekeep their investments.

"The key benefit in integrating Taskize with our collateral management workflow is to offer our counterparties a platform through which they can engage with us in a consistent, clear manner that **reduces cost, reduces risk and improves client satisfaction** across front, middle and back-office."

– Mike Reece, Managing Director of Euroclear Belgium

"Our rollout of Taskize was guided by the principle that clients must be one click away from collateral expertise. For instance, **real-time exchange is the new standard** in the collateral ecosystem, and we are proud to arm clients with this capability at such a pivotal moment for the industry."

– Bertrand Hanappe, Head of Collateral Client Services, Euroclear

Get in touch

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