

Investment Data Management: Navigating Technology Transformation

Asset management roundtable report

Introduction

FINBOURNE Technology and Alpha FMC recently hosted an industry roundtable in New York for 10 senior operational leaders across pension and asset management firms. The topic of discussion - Investment Data Management: Navigating Technology Transformation.

Conducted under chatham house rules the anonymized input from the session has been collated into this report to help explore best practise when approaching technology transformation, and what to look for in a technology partner to support this journey.

Topics discussed

- 1 Navigating technology change effectively and efficiently
- 2 Addressing technical debt and the cost of doing nothing
- 3 Regulation and compliance as a catalyst for change
- 4 Consolidating public and private assets
- 5 Selecting the right technology partner
- 6 Conclusion

Navigating technology change effectively and efficiently

Even if aware of their limitations, firms are often hesitant to make changes to the way they manage and consolidate their data. Almost every business has a certain degree of technical debt however, there are countless examples of organizations investing into solutions that are “good enough” when they should be focusing on innovative solutions to help them prepare for the future. Many firms have faced significant financial challenges from failed system overhauls that have become derailed and produced a negative return on investment.

Modernizing systems for future growth, while avoiding disruptions to core business operations is a complex task. An iterative approach to change

starts by establishing the business goals, then implementing the technology which can evolve with the needs and objectives of the firm as they change over time.

This approach not only increases operational efficiency and reduces staff turnover, but also creates revenue generating opportunities across the business: from data-driven investment strategies, innovative products and services, to improved client engagement.



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Change initiatives are more than just “projects” – they are opportunities for firms to evolve. Continuous planning and adaptation allow firms to reassess priorities and adjust accordingly, rather than large “all at once” change initiatives.

Alex Monte

Director, Asset & Wealth Management Consulting – North America at Alpha FMC



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Transformation doesn’t need to be disruptive. Firms require an open, scalable architecture that is robust and futureready to support growth. This positions firms well for success in a dynamic and competitive market.

Christopher Farrell

Head of US and Global Head of Strategy at FINBOURNE Technology

Addressing technical debt and the cost of doing nothing

Organizational inertia is seen as a major barrier to change in the transition away from legacy systems. Senior leaders are not the ones experiencing the day-to-day drawbacks of legacy technology, nor do they want to take responsibility for the cost of replacing or augmenting it. As a result, teams struggle to get buy-in for technology investment

The limitations of old and outdated systems can make integrating new products and capabilities complex and costly. Teams cannot continue operating in this way, simply patching up systems that are not fit for purpose and accumulating further technical debt.

Adopting the latest technology, often integrated with legacy systems, can help organizations in their cultural and technical shift to a modern data infrastructure. This minimizes disruption to core processes and the employees that generate alpha from it.

With cost optimization at the top of the agenda, leaders are realizing that there can be a considerable cost to not investing in modern technology, and there is a widening divide in the industry between those firms that have the mindset to accept change, and those which do not.



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It is phenomenal to think that we live in a “patch” world, even as we move towards real or near-real-time data reporting. It often feels like we are trying to force square pegs into round holes.

Alex Monte
Director, Asset & Wealth Management Consulting – North America at Alpha FMC



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In the rush to integrate new data and consolidate their systems, managers can sometimes make a bad call on which technology should be used.

Christopher Farrell
Head of US and Global Head of Strategy at FINBOURNE Technology

Regulation and compliance as a catalyst for change

Regulators are putting increasing pressure on asset managers in the speed and granularity of reporting, particularly regarding the inclusion of ESG metrics and T+1 settlement requirements.

The rising popularity of sustainable investing in recent years has led to vast sums being invested in ESG strategies. While regulators are scrambling to standardize definitions and prevent greenwashing, asset managers are coming under pressure to aggregate complex datasets and integrate nonstandardized reporting to meet investor-driven transparency.

As the SEC's T+1 deadline of May 28th 2024 fast approaches, the shortening of settlement cycles exposes the limitations of existing legacy systems.

They are unlikely to have the flexibility and realtime data management and reporting capabilities required.

When it comes to ESG reporting, clear data lineage is critical for investment management and enables firms to access their data at any given point in history. This feature allows firms to demonstrate data fidelity to both investors and regulators, by easily rewinding data and viewing its complete audit history.

With incoming regulation comes the urgent need for firms to take a major step forward in their technology infrastructure. Firms need to implement technology which offers them the speed, control and flexibility they need to guarantee compliance and a long-term competitive advantage.



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Regular technology investment is required just to keep your seat at the table, never mind advance your position – the risk of falling behind is too great and can lead to loss of clients and market share.

Alex Monte

Director, Asset & Wealth Management Consulting – North America at Alpha FMC



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Many firms struggle to know where their data flows now, never mind the future. With incoming regulations, a knowledgeable data layer is mission critical to be resilient to the evolving regulatory landscape.

Christopher Farrell

Head of US and Global Head of Strategy at FINBOURNE Technology

Consolidating public and private assets

To help attract and retain clients and maximize returns, asset managers are increasingly diversifying into additional asset classes, such as private credit.

Many organizations struggle to manage their public and private assets in one single system. They are limited by legacy technology which doesn't have the openness or flexibility to ingest data from different sources for enhanced investment decisions making.

To avoid costly, manual workarounds, firms require a system which consolidates public and private asset together, offering seamless data integration so that it can be presented it to the right users at the right time for interrogation and analysis.



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As many firms turn their attention to private assets, it is critical for them to embrace new systems which offer frictionless public and private data integration.

Alex Monte

Director, Asset & Wealth Management
Consulting – North America at Alpha FMC



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The legacy operating models which have been used by the asset management industry for so long are no longer fit for purpose, and as the landscape transforms, so too should the technology that fuels datadriven investment decisions.

Christopher Farrell

Head of US and Global Head of Strategy
at FINBOURNE Technology

Selecting the right technology partner

Many asset managers have far from a blank canvas to implement change. No firm wants to disrupt its day-to-day operations to implement a new model, which is why iterative change is key to guaranteeing sustainable growth.

It's hard to re-architect legacy platforms, and by adopting an interoperable approach that is compatible with existing ecosystems, you don't

have to rip out everything and start all over again. It's much easier to build gradually, from the bottom up, rather than overhaul what you already have. Firms are increasingly turning to technology partners that offer a useable data management solution that empower teams with improved efficiency, better insights and enhanced control over their data.

An interoperable approach has several key characteristics:

API-first

Standardization of data exchanges and reusability of APIs create more consistent and predictable interactions between applications and greater connectivity between new and existing systems.

Scalable and Flexible

Cloud technologies accelerate the transformation process by providing infrastructure that is highly resilient. This reduces the time and resources required for deployment and maintenance and speed in meeting new business demands.

Modularity

This approach makes it easier to develop specific parts of the architecture without affecting the whole estate. It promotes the ability to address critical areas first and gradually build upon them.



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To pave the way forward, firms are increasingly turning to an interoperable approach to data management. This facilitates seamless data flow across the organization and enhances operational efficiency.

Alex Monte

Director, Asset & Wealth Management Consulting – North America at Alpha FMC



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Firms can no longer rely on a system estate that is “good enough,” and instead they are turning their focus to an innovative approach that allows them to differentiate.

Christopher Farrell

Head of US and Global Head of Strategy at FINBOURNE Technology

Conclusion

Technology has a large effect on a firm's people and processes and maintaining and investing in a technology stack is a constant process requiring ongoing investment. Choosing the right partner which can adapt with the business as it evolves, is critical.

Firms that fail to invest in their technology stack will struggle to adapt to the changing regulatory environment and are likely to find themselves trailing their competitors, resulting in the potential loss of clients and market share. The longer they leave their systems unchanged, the more costly it is likely to be to update them.

Planning for the unknown is hard, but by addressing investment data management with the right technology, firms can adapt and innovate safely, without having to re-architect their whole estate further down the line.



About

FINBOURNE's solutions deliver an interconnected network of functionality and data that enables the investment community to better serve clients in a constantly evolving market.

Its investment management solutions and cloud-native data management platform ensure that investment and operations teams can increase revenue, reduce costs, and better manage risk across the investment life cycle.

Get in touch

To discover more about FINBOURNE and learn how our solutions can drive growth, increase control and improve data access, contact us below

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About

Alpha FMC is a leading global consulting company to the financial services industry. Alpha Asset & Wealth Management Consulting (AWM) is the leading global provider of specialist consulting services to the asset and wealth management industries. They help asset and wealth managers think smarter and shape their business for the future.