



Outsmarting the bear

The bear market of 2009 saw asset managers focus on operational excellence and business resilience. That means they need to excel at back-and-middle-office activities. **Peter Keaveney**, managing director, BNY Mellon Asset Servicing says the most effective way of doing this is to partner with a provider that acts as an extension of their organisation.

As a result of the economic environment over the past two years several key trends in financial services have emerged, requiring asset management firms to renew their focus on core competencies and inspect their operations' models. The most prevalent of these trends across the industry include:

- Greater pressure on asset management firms to raise and retain assets
- Investors seeking better investment performance and transparency in reporting
- An increasingly challenging regulatory environment
- More complex products and new methods of distribution
- The need for greater firm-wide risk transparency

With the ongoing evolution of regulatory and investor protection regimes globally – notably in light of Basel III, Solvency II and the UCITS IV directives – the identification, measurement and mitigation of risk also sits at the very top of managers' strategic priorities.

Current issues prompting asset managers to outsource

A recent survey of asset managers by Barrington Partners Research¹ concluded that the top issues that prompted consideration of outsourcing and were important in evaluating third-party solutions include:

- Maintaining operational best practices
- Lowering operational risk
- Scalability of the solution to business growth
- Upgrading technology supporting other functions
- Supporting new products
- Ability to focus on core competencies

The bear market of 2000 to 2002 resulted in asset managers specifically focusing on cost control when outsourcing non-core capabilities. In the wake of the latest bear market that began in 2009, it is much more than cost savings. Asset managers are seeking operational excellence (best practice models) and business resilience to satisfy the demands of better service quality and the

1. Barrington Partners Research: "Middle Office Outsourcing Service Providers Review 2009"



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Outsourcing Services Provided to ING IM



growing sophistication of their client base. The new face of this bear market requires asset managers to excel at back-and-middle-office activities, while continuing to deliver excellence from the front office. One of the most effective ways to achieve this is by partnering with firms who can be an extension of the asset manager’s organisation to deliver excellence for these key back-and-middle-office functions.

ING Investment Management selects the right outsourcing partner: A case study on the selection process and resulting benefits

ING Investment Management (ING IM) recognised the need to improve its ability to stay ahead of an evolving regulatory environment, while delivering new products and services to its clients in a more agile fashion. This required ING IM to execute systemic changes to both its technology and operational processes. In addition, these changes also required ING IM to redeploy resources to its core – value-added business functions that directly benefit its clients.

To achieve this end, ING IM looked for a partner firm that shared its values, and offered a proven solution with expansive and robust product capabilities and an extensive global distribution network – BNY Mellon OnCore was the solution. OnCore is BNY Mellon’s integrated middle-office service offering that draws upon the company’s operational and technology expertise to service today’s multi-layered outsourcing arrangements. With the ability to combine onto a single platform back-and-middle-office functions across multiple books of business, clients such as ING IM can benefit from reduced risk, increased efficiency and cost savings.

Together, ING IM and BNY Mellon conducted an extensive analysis of ING IM’s mid-to-long-term business objectives, goals around delivering value to its clients, and the foundation of its internal operational, technical and business processes. This resulted in a comprehensive middle-office outsourcing solution where BNY Mellon OnCore supports trade enrichment, confirmation/affirmation, FX processing, fail management, third-party service provider messaging and reconciliation, corporate actions and income processing, derivatives processing, investment and statutory accounting, indicative and pricing data management, and client reporting.

Through its partnership with BNY Mellon, and its tailored solution and approach, ING IM was able to achieve numerous benefits, including:

Delivering value to clients

- The typical four to five month timetable to launch a new fund complex or product was reduced to less than one month; a 400%



improvement. ING IM is now able to take on more complex investment strategies and increase its “speed to market;” delivering more than 100 activities in the first year: 57 new portfolios launched, 34 closed portfolios, and 18 merged portfolios.

- By focusing capital expenditures on supporting asset management activities, and a move to an exception-based oversight process, management attention was redirected to the business of asset management and building client relationships.
- Via a standard infrastructure across three lines of business, a consistent view of data was achieved, providing for enhanced management reporting around the data required for making business decisions.
- By transitioning to an exception-based oversight model, the focus on day-to-day operational issues was alleviated; allowing management to focus on core issues impacting clients.
- Formally documented service level performance is consistently measured on a monthly basis.

Operations

- A persistent and precise reflection of the trade lifecycle was achieved, including the most complex instrument types such as OTC derivatives, money market and complex fixed income and emerging markets; resulting in persistent STP rates of more than 99%.
- By providing an operating environment that provides both trade date and trade date +1 views of all investment vehicles, the need to maintain multiple accounting records was eliminated.
- The integrity of data was improved, negating the need for reconciliation to trade order management systems, which are required to validate the data provided from core processing and accounting platforms.
- Consistent reporting was achieved via the delivery of GAV, NAV and share class accounting capabilities.

- The establishment of a central data repository facilitates STP efficiencies; utilisation of one consistent pricing feed across all account types, and provides for consistent key metrics that are fully fact based.

Technology

- By tapping into a fully scalable and robust technology environment, the needs of a global investment management organisation are achieved via online alerts and tracking tools.
- Via a data-centric technology platform, business rules are applied to core technology, providing for flexibility and customisation and support of all of ING IM's complex investment instruments.
- A high degree of integrity was achieved between investment and accounting platforms with total confidence in data within the front and back office.

Conclusion

More than ever, asset managers are relying on third party providers to build next generation platforms with: a greater lens into risk exposure, increased scalability, and multi-product capabilities. Importantly, asset managers value outsourcing providers as strategic business partners, capable of using their critical mass to deliver operating leverage. They are seeking a partnership with an organisation that is committed to market leadership and innovation, and expect service providers to act proactively in trying to inform, influence and drive market trends.

Selecting the right partner requires a collaborative approach with a provider who has the technology tools and flexibility to vary the level of operations and technology control that asset managers outsource – from a pure technology-hosted solution to a fully outsourced operations and technology environment. When it comes down to which asset managers will outsmart the bear, the right provider and partner can make all the difference. ■



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“By leveraging the experience and proven technology of BNY Mellon, ING IM can more quickly deliver new complex investment strategies to our clients. What typically took four to five months now takes less than one month – a 400% improvement.”

KEVIN MCMAHON, EVP, HEAD OF TECHNOLOGY AND OPERATIONS, ING INVESTMENT MANAGEMENT

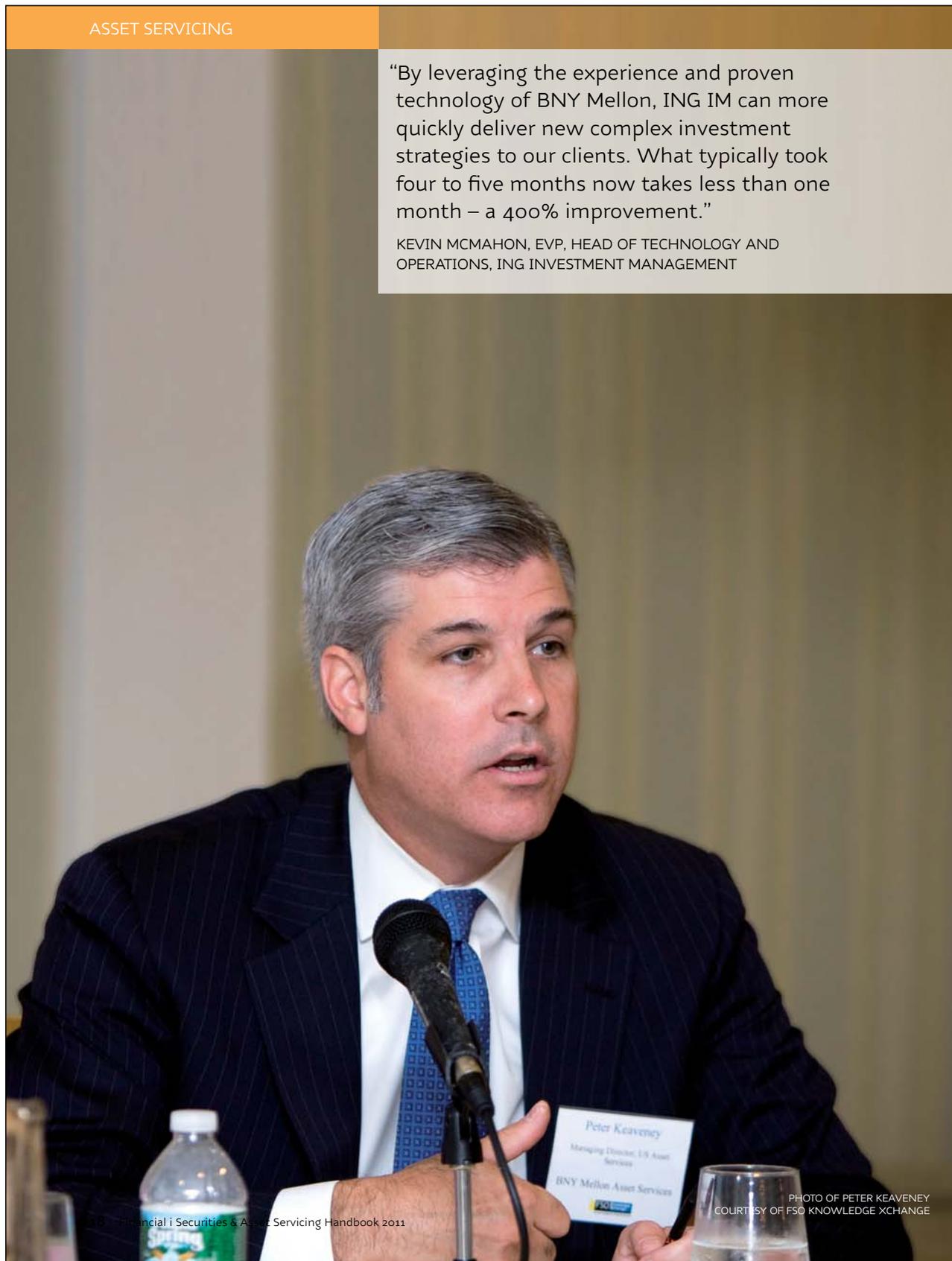


PHOTO OF PETER KEAVENEY
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