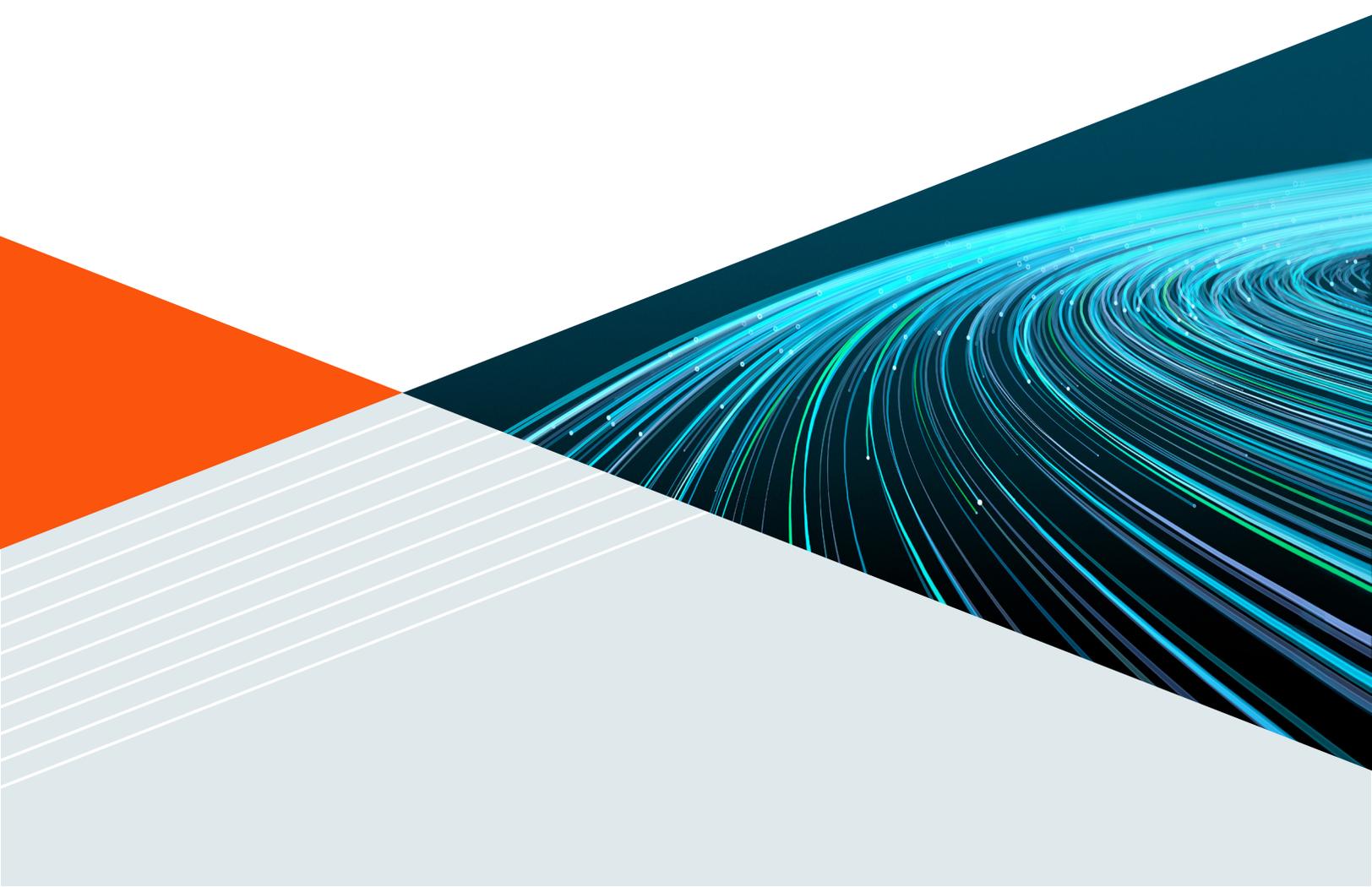


# Asset Management: *Transformation Is Already Here*

The Industry's Data-Driven Future Has Arrived



# Foreword

What does it take for asset managers to succeed in a data-driven world? BNY Mellon's study "Asset Management: Transformation is Already Here" asked more than 200 forward-thinking leaders to take a holistic view of the seismic challenges impacting the asset management industry and specifically, how these challenges were impacting every aspect of their business, from front- to back-office.

Asset managers worldwide are balancing operational complexity and efficiency, data management, and risk and resiliency with the need to generate value and achieve growth for their clients. So it should come as no surprise that respondents in our research are rethinking their operating models and considering leveraging service providers to address challenges that fall outside their core investment functions.

They envision a future in which technology platforms, transparency, and data continue to fundamentally alter what's possible. Over the next few months, I invite you to explore their perceptions and concerns in depth, including how:

- Data determines destiny
- Digital imperatives dominate
- The product roadmap is realigning
- The distribution game has new rules
- Focus on the core is key

Our research also highlights how the nature of the asset management industry is changing. Asset managers are moving away from a “go it alone” approach to using data for competitive advantage, and relying on asset servicers as true partners. As a result, asset servicing business models are evolving. I see providers becoming orchestrators of modular, flexible solutions and of information across investment processes.

The ability to support asset management transformation depends on servicers being able to play an essential role in creating a streamlined, frictionless, fully integrated ecosystem from front- to back-office. At BNY Mellon, we were a pioneer in our open-architecture approach, and it’s enabling us to engineer high-quality solutions for our clients, while preserving client choice and independence.

### **Roman Regelman**

Chief Executive Officer of Asset Servicing and Head of Digital  
*BNY Mellon*



# Introduction

Fundamental changes in the asset management industry have been building for some time. A new and wide-ranging BNY Mellon research study covering 200 asset managers around the globe shows that such changes have reached a point of no return.

Geopolitical and demographic shifts have redefined the market landscape. The global COVID-19 pandemic has intensified the industry's focus on the ability to operate digitally with resiliency. Our survey participants told us again and again—there is no going back.

**ASSET MANAGERS UNDERSTAND THAT EVOLUTION IS IMPERATIVE TO SURVIVE AND THRIVE IN THE NEW REALITY THAT HAS EMERGED.**

*“Once there is an integrated platform to assess and derive actionable information, asset managers will increasingly rely on these features. They are a definite value-add for any organization, especially if paired with automation software.”*

*—Germany-based Chief Investment Officer*

# How Asset Managers *See Their Future*

Our research uncovered five themes that illustrate asset managers' perceptions of the industry's future, along with the concerns they have about what it takes to succeed in such a future.

In summary, these themes are as follows. We will also be releasing in-depth chapters to explore perceptions and concerns in each area.



1.

### Data determines destiny:

Asset managers are harnessing the tools, expertise and infrastructure needed to turn data into actionable insights that can drive growth in investments and their investor base.

2.

### Digital imperatives dominate:

Asset managers are trying to harness digital technologies to support a data-centric world while growing and serving their investors with agility.

3.

### The product lineup is realigning:

Asset managers know they need to stand out from the crowd and meet the shifting demographic preferences of an increasingly outcomes-focused investor base.

4.

### The distribution game has new rules:

Digital channels compel asset managers to root out inefficiencies and find innovative, customizable and scalable solutions for greater reach in a competitive marketplace.

5.

### Focus on the core is key:

Asset managers see operational complexity and concerns as deciding factors in their ability to focus on generating value and to achieve growth in an already complex world.

# An Initial Snapshot *of Market Thinking*

The transformative power of technology and the importance of data underlie all of the themes that asset managers highlighted in our surveys. Forward-thinking leaders in asset management take a holistic view of technology's impact on every aspect of their business, from front-to-back office.

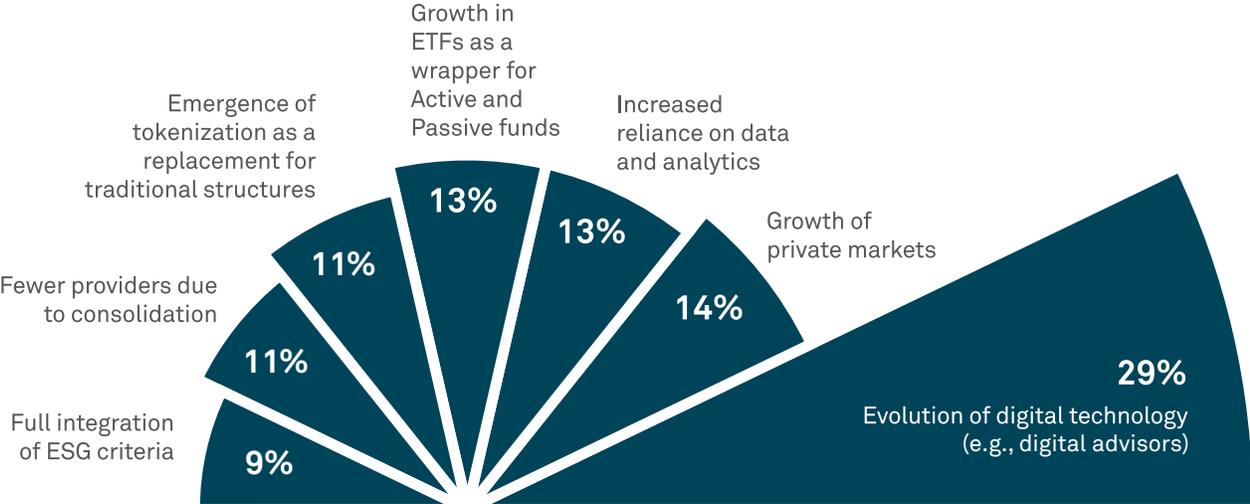
A plurality of our survey respondents highlighted this view. They named the evolution of digital technology as the top trend in asset management over the next three to five years. Combined with other digital concerns—data/analytics and tokenization—technology becomes the majority view, with 54% of respondents designating a technology-based trend as their top choice.



*“After COVID-19, there is a real need for accelerated adoption of new tools that will drive inorganic growth and innovation. Digital technology will provide asset managers with a competitive edge if they can offer unique solutions.”*

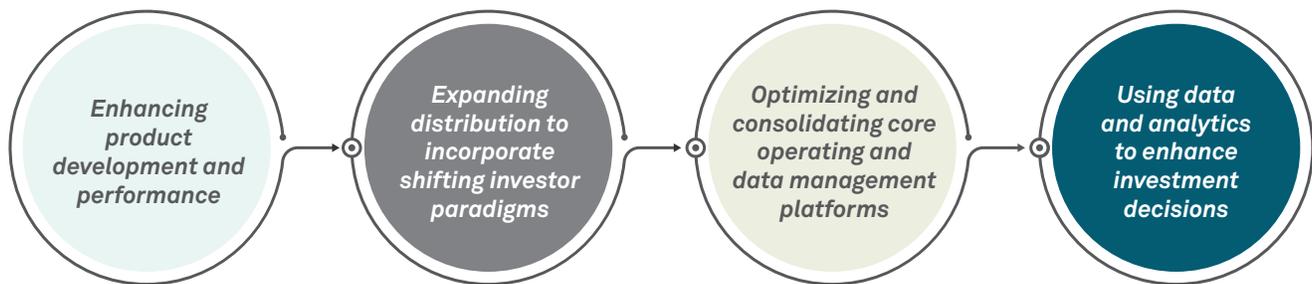
*—Spain-based Chief Investment Officer*

# Top trends in asset management over the next 3-5 years as identified by survey participants



In this technology-driven world, every aspect of the end-to-end investment lifecycle is open to fundamental redefinition.

## Asset managers are evaluating their entire value proposition



***Product- and market-related trends rank next in the hierarchy of asset managers' thinking. Growth of private markets, use of ETFs as a wrapper for active and passive funds, and integration of ESG criteria combine as the top trend for 37% of respondents.***

***Although a minority view, we would also note the emergence of consolidation as a top-of-mind trend. More broadly, we see an increased rate of consolidation within the industry.***

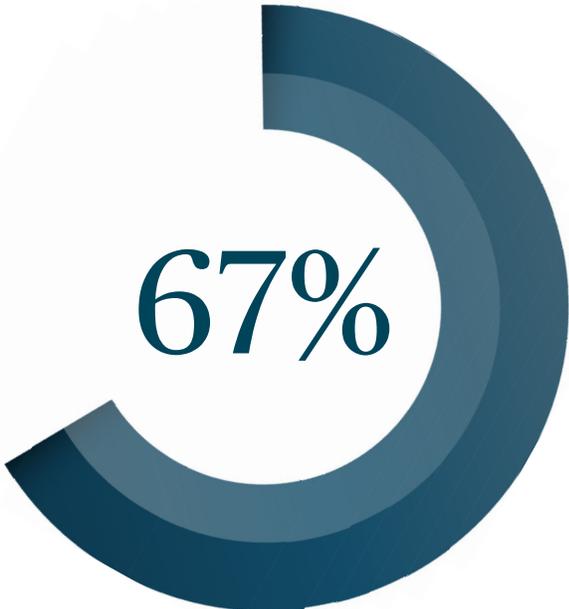
Consolidation helps give firms a lever for gaining access to new products and markets, achieving economies of scale, and succeeding with an ambitious technology agenda. The consolidation trend is likely to continue and potentially accelerate in the coming years.

# Asset Managers *Unlikely to Go It Alone*

Intensifying industry pressures and challenges are forcing asset managers to reevaluate the way they do business. To fuel the front-to-back engine, asset managers must combine data with complex operating platforms while simultaneously scaling, achieving resiliency, and managing transparency and oversight requirements. COVID-19 has thrown additional variables into an already complex mix of imperatives.

In this context, asset managers have begun to realize they must focus on their core competencies. The question for many is where to start and how to address the critical technology, data management/analytics, and operating platform challenges that fall outside that core.

For many firms, it is undesirable or impossible to bring all of the required expertise in-house. As a result, they are considering outsourcing non-investment functions as a strategy for growth.

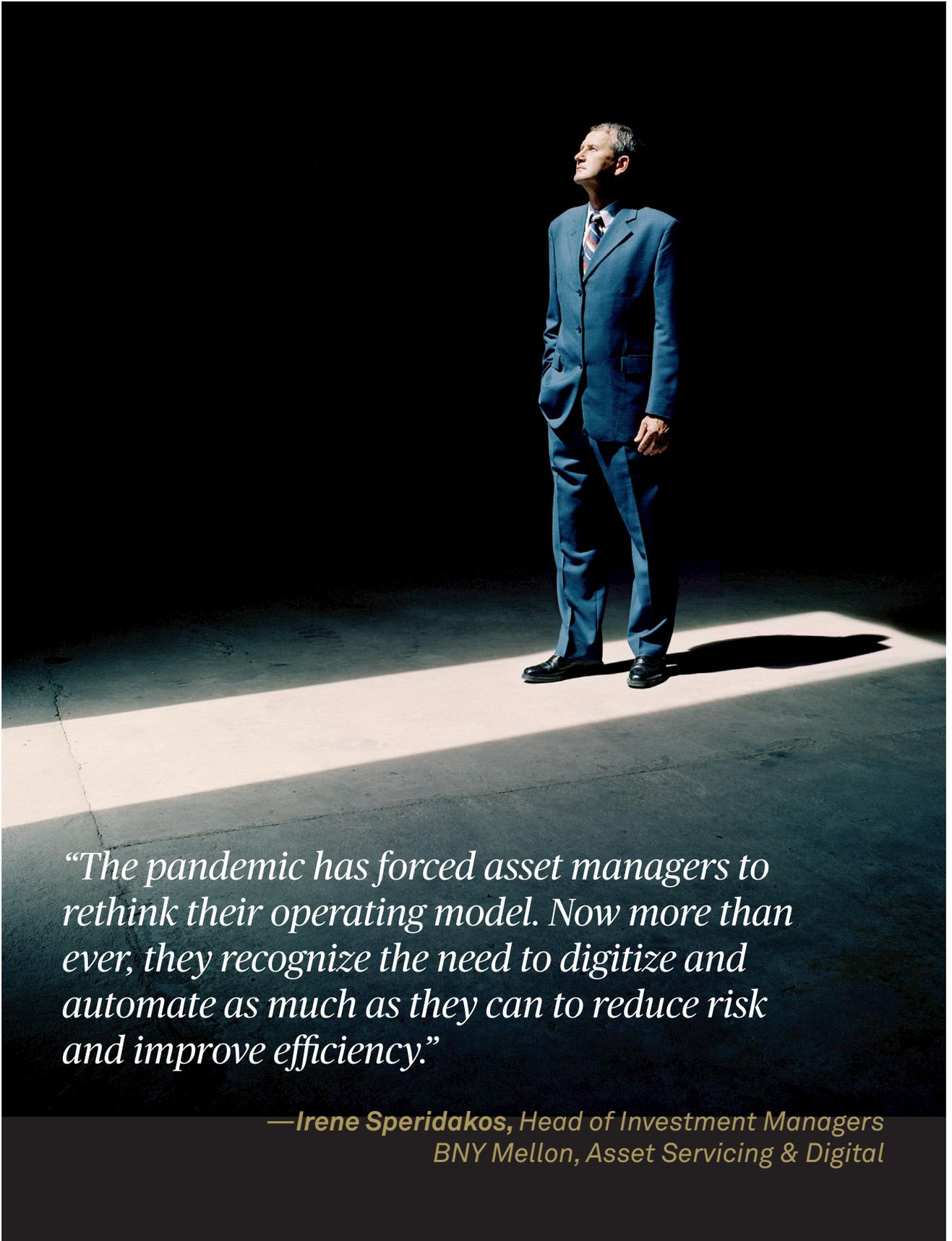


67%

***67% of respondents in our research said they plan to increase their reliance on service providers as a way to meet their digital challenges.***

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***67% are looking to leverage service providers to improve their operational efficiency.***



*“The pandemic has forced asset managers to rethink their operating model. Now more than ever, they recognize the need to digitize and automate as much as they can to reduce risk and improve efficiency.”*

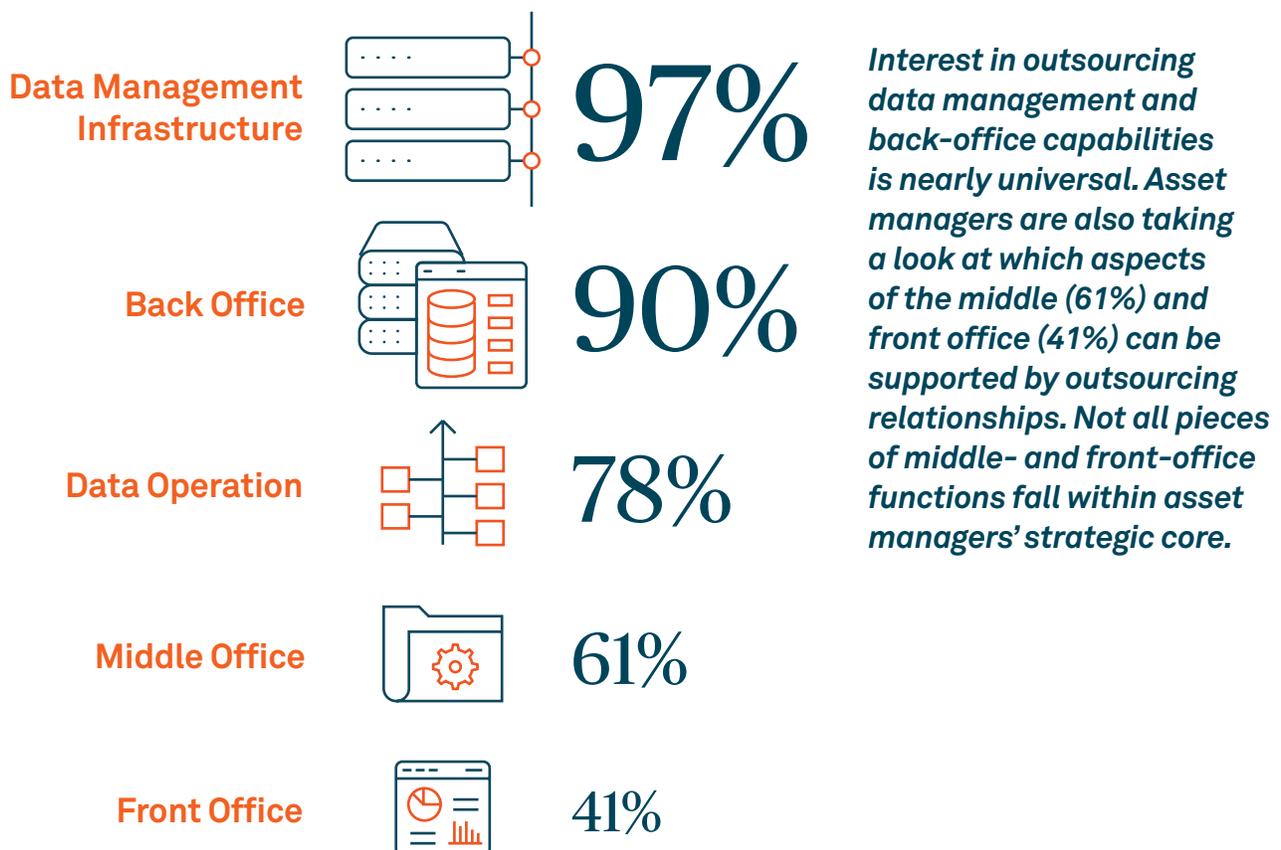
**—Irene Speridakos, Head of Investment Managers  
BNY Mellon, Asset Servicing & Digital**

Getting outsourcing decisions right is more important than ever because of the increased complexity of the industry. Asset managers need outsourced assistance to help bring together and evaluate disparate data. They seek out those who can deliver modular and flexible solutions that enable them to adapt.

The key to success is to find providers who have invested in their technology and infrastructure and are committed to supporting long-term initiatives. Successful relationships require both asset managers and their providers to engage fully, with collaboration and agility, to limit risk and help identify opportunities for transformation now and in the future.

Data management, back-office capabilities and data operations represent the largest areas where significant majorities of asset managers plan to explore or expand such outsourcing.

## Outsourcing: asset manager's area of focus in the next three years





*“An open architecture can help Asset Managers adapt their existing operating models to meet the demands of the future, realizing synergies, taking advantage of opportunities and minimizing risk - without undertaking timely and costly system conversions.”*

*—Christine Gill, Head of Commercial Development  
BNY Mellon, Asset Servicing & Digital*

# The Future Is Agile, The Architecture Is Open, *and the Stakes Are High*

The survey results track well with broader industry trends that we see in the asset management landscape. Client demand for investment growth and performance has increased and, at the same time, has become more nuanced. Flexibility and collaboration are needed for firms to evolve to a new level of data-centric processes. In other words, frictionless operating models must be offered that lets asset managers focus on serving their end clients and achieve long-term growth in this newly arrived future.

Still, asset managers do not want to chase every technical innovation. There is a greater recognition that firms must have a small number of core providers that offer scale, resiliency and the expertise to support integrations and enable agile change.

Simpler times are not coming back. Firms that successfully move past this point of no return will put data and new technology at the core of their transformation. Integrated, modular approaches will give them the agility and flexibility to thrive. But those that stay with the status quo may soon reach the end of the line. As the industry advances, they will struggle to meet the evolving needs of new generations of investors seeking lower fees, new products and enhanced transparency.

Both our survey and our broader experience point to five critical areas where potential providers or collaborators help firms achieve operational transformation and future-proof their business:

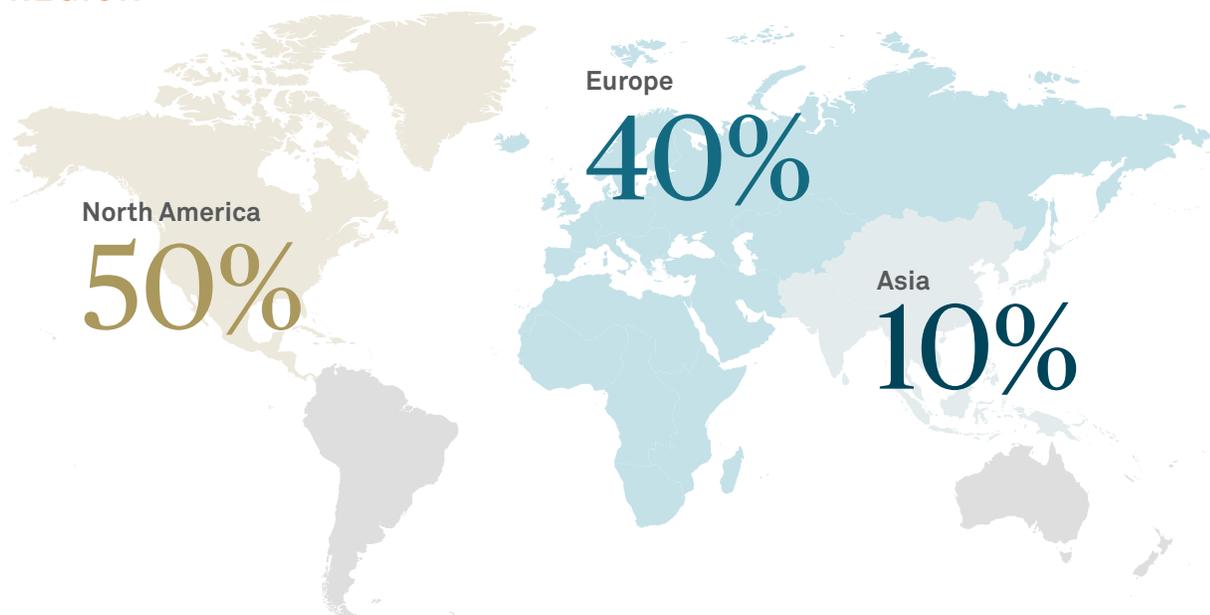
- ***Orchestrating solutions and information across the entire investment process***
- ***Bringing together disparate data across the entire enterprise to gain new insights***
- ***Enabling preservation of choice and flexibility through a modular, open-architecture, data-centric platform***
- ***Building a provider-agnostic model that incorporates flexible technology for future providers and partners***
- ***Creating a resilient, frictionless, front-to-back operating model that lets asset managers focus on their priorities***



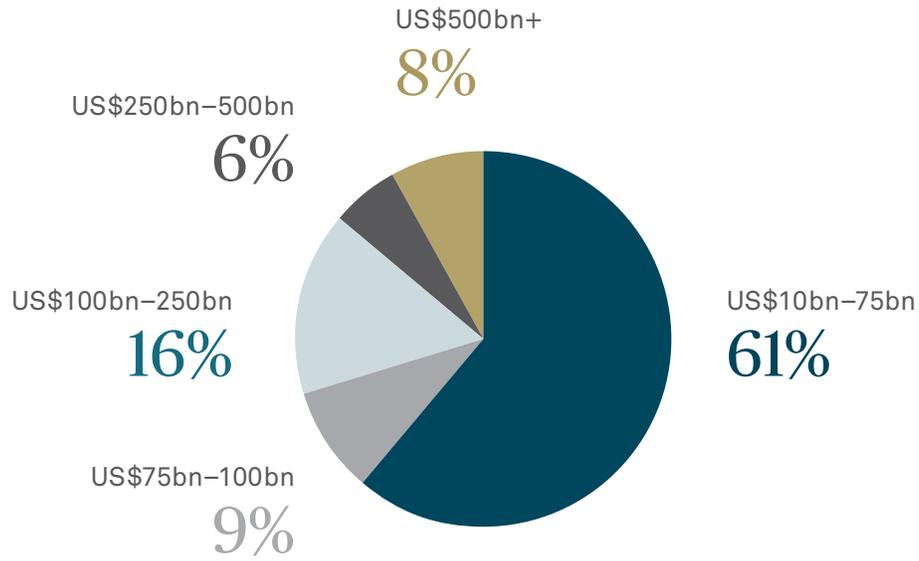
# Appendix: *Methodology*

In the third quarter of 2020, 200 asset managers from around the world participated in an in-depth study of trends and concerns in the asset management space. C-level executives (job titles: Chief Executive Officer, Chief Operating Officer, Chief Data Officer, Chief Investment Officer, Chief Information Officer and Chief Technology Officer) from firms with at least US\$10 billion in AUM participated in the survey. All responses and participant comments are anonymous. Data are presented in aggregate.

## REGION



## ASSETS UNDER MANAGEMENT



## TYPE OF FIRM



## CLIENT BREAKDOWN





# *Coming Attractions*

Following this overview, BNY Mellon will release the detailed findings from this wide-ranging study. Each chapter offers deeper insights and strategies to help you thrive in a data-driven world.

- **Chapter 1:** Explores the challenges and opportunities presented by data management and analysis, from data mountains to data lakes.
- **Chapter 2:** Breaks down which digital imperatives are transforming asset management, and shows why most companies won't take them on alone.
- **Chapter 3:** Highlights the pressures that are reshaping asset management firms' product lineups.
- **Chapter 4:** Shows how the distribution mix is making it more complex to compete and survive.
- **Chapter 5:** Illustrates the industry's most promising future, with streamlined operations and focus on the core.

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