



Climbing the Legacy Mountain

July 2020

Addressing legacy systems and processes is a mountain most financial services firms will have to climb eventually. History will show that for many it was the sad events of COVID-19 which forced the start of their journey. In the post-pandemic world it will be early adopters of new technology that benefit not only from new functionality, but also from mobilising their organisations to make step-changes in their operating models.

In a very short period of time COVID-19 has brought the investment industry to an inflection point where digital client engagement (mobile and otherwise), operational resilience, enterprise risk reduction and the need for substantial ongoing cost savings dominate senior executives' priorities now and for the foreseeable future. Technology-driven change, implemented through modular system enhancements and process simplification, is now being funded by mandatory rather than discretionary budgets. Operational efficiency and good data management provide the critical foundation for investment alpha.

'A journey of a thousand miles begins with a single step' Lao Tzu

Addressing data challenges will form the basis of the first step.

'The effective control and management of data has been one of the central issues facing the asset management industry for several years. The challenges around providing high quality data that can be consistently and timely delivered across the whole organisation has been further heightened in recent years by a) the increased

demands on that data from not only investment, operations and client reporting functions but by other areas such as risk management, regulatory reporting, product etc; and b) the multiplicity of systems which have grown over time across functions which are all hungry to consume the same reliable and consistent data'

George Efthimiou, former Group COO, HSBC Global Asset Management

In our professional and private lives, we have to cope with less readily digestible and more voluminous data every day. Data is both an asset and a liability for firms. It is an asset if access is easy and we are able to make key decisions based on complete and accurate data, available on demand. However, that asset quickly becomes a liability when the data is fraught with inaccuracy and access and availability is poor.

In volatile markets, having intra-day access to near real-time and accurate investment data, such as portfolios' investible cash balances and forecasts, has become a necessity for asset managers. New data-focused technologies, such as Aprexo's Data Mastering Solution, play a vital role in future operating platforms. Transactions and events, in addition to the positions they impact, are becoming the atoms of the new modus operandi. Creating an atomic chain gives data a valuable lineage, benefiting every part of the investment management operating model. Investment decision making, regulatory oversight, client and executive reporting are increasingly requiring DMS technologies.

For many asset managers and owners, the 'fly in the data ointment' is too often the legacy systems the data is tied to. The consequences are a multiplicity of interfaces to maintain, data richness being restricted to what the lowest common denominator in the chain can handle, and manual oversight and intervention. Scalability is absent, and front-office confidence in outputs is low.

Technology is gradually liberating the asset management industry from this legacy. Big data infrastructures are emerging, helping to capture and analyse vast amounts of structured and unstructured data. Trials of Robotic Process Automation are showing fruit in many places. Acceptance of cloud computing and the

concomitant need for cloud-born applications is now high, and the new Software-as-a-Service paradigm is accepted by all leading firms.

For asset servicers, a DMS constitutes an integral part of a modern Data-as-a-Service offering. The economic impacts of COVID-19 are likely to spark another wave of outsourcing of middle-office functions by Tier 2 and Tier 3 asset managers. In anticipation of this global securities services providers have already confirmed their renewed interest in a foundational DMS. Some have tried to do this via in-house development, few have yet succeeded.

For more information about Aprexo or to arrange a demo visit www.aprexo.com or email markus.ruetimann@aprexo.com.