



Industry at the crossroads

Facing up to disruption and digitisation

For now, asset managers face an onslaught of costly regulation but, as this tidal wave recedes, new threats will arise – including ongoing financial uncertainty and fintech disruption, says Barry Lee, head of marketing and strategy at Multifonds, which was named asset servicing technology vendor of the year at the *Custody Risk* Global Awards 2016

Amid the current wave of regulation, what is causing clients the most concern and why?

Barry Lee, Multifonds: Our annual Multifonds Every Fund Survey – which this year questioned fund managers and administrators who manage and service assets exceeding \$27 trillion and \$19 trillion, respectively – found that the second Markets in Financial Instruments Directive (Mifid II) is the regulation causing most concern, cited by over half (51%) of respondents to the survey. Ucits V was mentioned by 45% of respondents and the Alternative Investment Fund Managers Directive (AIFMD) by 31%.

Nearly two-thirds believe the greatest impact of industry regulation is that of increased costs for investors.

Regulation is also proving more costly for asset managers and their service providers – almost two-thirds said they had seen their costs rise over the past 12 months, with more than one-fifth spending 20–50% of their overall IT budgets on regulatory compliance.

Multifonds proactively monitors and meets with its user group twice a year to assess the impact of regulatory initiatives and to advise on its compliance. Mifid II, Ucits V, AIFMD, German tax and the Organisation for Economic Co-operation and Development's common reporting standard have all been topics of discussion in the past year.

How can Multifonds assist asset managers in responding to fintech disruption?

Barry Lee: Despite fintech's impact in other areas of financial services, so far we have not seen significant disruption within the asset management industry. Our industry survey examined the reasons for this, with respondents pointing to regulation and back-office complexity as the top two barriers to entry for a potential disruptor.

However, there is increasing recognition that, despite these barriers, disruption is likely to occur – over half of respondents believed a new game-changing disruptor, such as Amazon or Google, will enter the market in the next two years.

As part of the Temenos Group, Multifonds is choosing to embrace fintech as it continues to make inroads into the financial services industry. Temenos' open approach to innovation includes initiatives such as launching the first fintech incubator in Switzerland, 'innovation jams', 'hackathons', advisory boards that provide platforms for two-way knowledge sharing and Temenos MarketPlace – a platform for fintech startups to market and sell their services.



Barry Lee

What have been the key features of enhancements to the functionality of Multifonds Global Investor and Multifonds Global Accounting this year?

Barry Lee: Over the past year, we have continued to ensure Multifonds delivers best-in-class coverage for fund types, jurisdictions and asset classes. In the past 12 months, we have made enhancement to our exchange-traded funds and private equity capabilities to allow these to be administered more efficiently, as well as kept up to date with a number of new tax and regulatory requirements around the world.

Furthermore, we continue to invest heavily in operational efficiency to help clients realise significant cost reductions and efficiency improvements through a single global operating model. Extensions to Multifonds' workflow and exception management capabilities enable clients to work on an

exception basis: managing one-off situations with zero disruption to achieve increased efficiency while reducing operational risk. Data protection enhancements allow investor-servicing clients to operate a global operating model while complying with local banking data protection and secrecy requirements.

What are the biggest threats and opportunities facing your clients in 2017?

Barry Lee: The asset management industry is at a turning point – the world defined by the events of 2008 is not the world of today. A decline in the post-financial crisis tsunami of regulation, rising uncertainty in markets, changing investor habits and an increasing recognition that disruption is inevitable are all factors of a new era in which asset managers are forced to re-examine what they offer and how they bring it to market.

In this new era, asset managers and fund administrators looking to evolve their businesses will need to take a more global perspective than ever before – thinking cross-asset class, cross-jurisdiction and cross-platform – and to provide integrated solutions. There is also an increasing need for the industry to head off the threat of potential disruptors by embracing innovation and reducing the digitalisation lag.

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