

NEXT-GENERATION ASSET SERVICING

DAVID SALIM, OF ASSETMETRIX, REFLECTS ON THE TECHNOLOGICAL ADVANCEMENTS BENEFITTING ASSET SERVICING

Every cultural, political, technological or economic (r)evolution is characterised by an initial phase with (1) parts of society understanding early on that something is changing, (2) parts refusing to see the changes, and (3) another part not seeing the changes at all. In this process, some visionary agents play an active role in sparking the (r)evolution, then others take over to really make it happen.

In our age of digitisation and artificial intelligence, we sense that a revolution is taking place in all sectors. Machines and sensors are suddenly able to gather data from every type of activity in our society. We are told that we can increase transparency and that the world is getting easier to understand. The enormous volume of data involved in the process and the highly complex relationships between such data tend to blur our vision. How can one isolate the key information out of this flood of data to get a clear picture?

Questions like this are being asked in every sector. This is also true of the alternative investments world, one rather non-transparent by nature. The pressure for investors to understand in greater detail what is happening with their investments, how they performed in the past and what to expect in the near future, is increasing day by day.

Regulatory agencies, current and future investors, and stakeholders in general expect clear answers to complex questions. The limitations of the systems and processes currently in place are becoming apparent, so that most investors agree that something needs to be changed to handle and make best use of the most valuable result of digitisation: the data itself.

There are fundamentally two ways for a business to address the issue: (1) by acquiring the necessary tools and capabilities (insourcing) or (2) by asking a third party to provide the answers (outsourcing).

When insourcing, a company has to meet all the challenges in terms of volume and complexity on its own. Purchasing tools and hiring people is a necessity, but not a guarantee for success. It is crucial to understand



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the systems purchased, to operate them correctly and to integrate them in the existing infrastructure. Insourcing is generally a viable solution for simple portfolios composed of a very limited number of investments. It might also be suitable for extremely large and highly complex businesses that require a full proprietary system and have the time and means to build up their own infrastructure. However, the majority of investors in the private capital sector, situated between the two extremes, will probably want to have a close look at outsourcing options.

By outsourcing the challenges to a specialised provider, private capital investors can free up resources and focus on their core business investing. Day-to-day business is dramatically simplified and made more flexible, making it easier to respond quickly to external challenges. Private capital investors can rely on a partner who provides the most up-to-date answers to the constantly changing requirements with state-of-the-art infrastructure. It is essential that the partner can process data centrally and with state-of-the-art analytical tools, but at the same time understand the unique ecosystems of its clients. These specialised providers in the era of digitisation are known as next-generation asset servicers – the agents making the (r)evolution happen.

Over the coming five years, the number of challenges in the data-processing and asset-servicing sector for private capital investors will continue to increase. A number of next-generation asset servicers have been set up coming from a variety of backgrounds, ranging from software developers to investment managers. Very few of these providers are likely to be able to comprehensively support their clients with a combination of technologically advanced solutions and client-oriented services, offering a seamless outsourcing experience based on the thorough understanding of the nature of the investment business. When outsourcing, one should look for such a service in order to receive clear answers to complex questions. ⬇

About AssetMetrix

AssetMetrix is Europe's leading next generation asset servicer. We offer modular outsourcing solutions for private capital investors: front-, middle- and back-office solutions for Limited Partners and General Partners.