



**CONFLUENCE<sup>®</sup>**

**ASSET MANAGEMENT TREND  
SURVEY REPORT**

**Q4 2016**

# CONTENTS

---

FOREWORD .....	3
TOP TAKEAWAYS .....	4
DETAILED FINDINGS .....	5
CONCLUSION .....	8
METHODOLOGY .....	9
ABOUT CONFLUENCE .....	10

# FOREWORD

---



Since we first conducted this survey in 2008 there have been a few major trends driving change in the asset management back office: increased regulatory and investor demands for transparency, the push to consolidate growing volumes of business and regulatory data, and increased desire to use automation to improve data management and reporting processes.

In the aftermath of the economic downturn, increased regulatory reporting mandates have made the industry more transparent, but it's also put pressure on back-office operations. In fact, the percentage of respondents (27%) who said complying with multiple regulatory regimes is their firm's top global challenge was more than twice as high this year as it was in 2014. While asset managers have responded to some of the pressures that increased regulation has created, they have been slower to respond to others.

Consolidating fund data, for example, is an area where we've seen increased prioritization and progress since 2008. Nearly half of respondents (44%) listed data consolidation among their firm's top goals over the next two years. This year more respondents (69%) told us their firms had begun to consolidate portfolio and fund data. While there has been progress made, there is still critical work to be done. Respondents told us they viewed data consolidation to be extremely important in helping to meet increased regulatory reporting demands (31%), minimize reporting errors (42%) and improve data accuracy and consistency (43%).

Firms have also been less able to move the needle on automating back-office processes, despite being the industry's top priority each time we've conducted this survey since 2008. Once again, nearly two-thirds (61%) of this year's respondents said that it remains their firm's top goal. Increasing automation is also seen by respondents as a way to reduce costs. As you'll see in this report, however, the industry has yet to achieve meaningful levels of automation.

The source of this continued automation inertia most likely stems from the continued use of multiple applications across the back-office. While nearly half (48%) of respondents said that consolidating third-party solutions would benefit their firm, 74 percent said their firm still depends on multiple, disparate back-office systems. Relying on multiple single-point solutions is especially problematic when it comes to regulatory reporting. Because many regulatory reports require the same data, the use of multiple single-point solutions results in multiple and redundant reconciliation processes that introduce the risk of error and makes process automation more challenging.

As regulatory reporting pressures increase, data consolidation and process automation will become more important. Unfortunately, we don't anticipate seeing the industry make continued meaningful progress on either front until it is able to reduce its dependency on using multiple systems to support regulatory reporting processes.

A handwritten signature in black ink that reads "Todd Moyer". The signature is fluid and cursive, with a long horizontal stroke at the end.

TODD MOYER  
EVP, GLOBAL HEAD OF BUSINESS DEVELOPMENT

# TOP TAKEAWAYS

---

## Top back-office goals

Back-office automation remains the industry's most important goal, with

**61%**

listing it as the top priority for their firm over the next two years.

Data centralization is the fastest growing priority for the back-office.

**44%**

say it is a top goal for their firm, up from 24% in 2014.

Managing increased regulatory reporting requirements also a top priority for the industry, with

**47%**

saying it is a top goal for their firm.

## Technology consolidation still needed

**57%**

of respondents whose firm uses multiple third-party solutions say consolidation would help streamline regulatory and investor reporting.

**72%**

say consolidation would help achieve higher operational efficiency.

**59%**

say consolidation will bring down operational costs.

## Biggest globalization challenge

**37%**

say their biggest globalization challenge is standardizing processes globally while maintaining flexibility in each local market, up from 19% in 2008.

**Pressure to comply with multi-regulatory regimes simultaneously is the fastest growing globalization challenge.**

**27%**

say it is their biggest challenge, up from 13% in 2014.



# DETAILED FINDINGS

## Automation remains top priority: Industry yet to achieve meaningful adoption

For the fourth time since 2008, the majority of asset management industry professionals (61%) told us that automating back-office processes is a top priority for their firm over the next two years. Almost two-thirds (60%) said automation would add value for their firm by helping to expedite data and information sharing across the business. Among North American respondents, two-thirds (66%) said this would be valuable to their firm, while just over half (51%) of European respondents said the same.

When it comes to fund administration and regulatory reporting, the majority of respondents said that automation would be valuable to expediting the sharing of data and information across business processes for reporting purposes (60%), automating tasks for straight-through processing to meet regulatory requirements (51%) and adding automated data analytics to an existing compliance process (51%). In fact, nearly all respondents reported being concerned about manual processes and spreadsheets affecting the ability to control errors (91%) and the ability to control costs (81%).

*Q: Which if any of the following do you consider to be important goals for your back-office operations over the next 12-24 months? Please select all that apply.*

	2008 N=115	2010 N=132	2014 N=96	2016 N=189	North America N=102	Europe N=68
Replace manual processes with automated technology	62%	60%	61%	61%	65%	59%
Manage the increase in regulatory reporting requirements (i.e., investors/regulators)	50%	54%	48%	47%	50%	44%
Centralize data	31%	32%	24%	44%	44%	50%
Cut costs/FTEs	36%	39%	27%	30%	33%	26%
Increase the domiciles and asset classes in your product offering	*	*	14%	14%	12%	13%
Other	7%	11%	7%	2%	3%	1%
None of the above	10%	6%	4%	5%	7%	1%

*\*item not included in 2008 and 2010*

*Q: Which of the following automation practices would be valuable to your organization?*

	Overall N=192	North America N=103	Europe N=70
Expediting the sharing of data and information across business processes, e.g. feeding risk analytics into regulatory filings or incorporating audited financial highlights into a prospectus	60%	66%	51%
Automating tasks for straight through processing, e.g. proposed N-PORT reporting	51%	58%	41%
Adding automated data analytics to an existing process, e.g. portfolio compliance	51%	50%	53%
Enabling collaboration and content management across parties within a business process, e.g. legal counsel review of a prospectus	38%	34%	40%
None of the above	11%	11%	10%

Despite these concerns, respondents reported very little evidence of meaningful process automation over the last two years. Across six core back-office regulatory and investor reporting functions, the majority of respondents reported still using manual processes for at least part of each function.

*Q: What percentage of your team's tasks are done manually using spreadsheets?*

Overall N=192	More than 50%	26% - 50%	10 - 25%	Less than 10%	N/A	Not sure
Performance and Risk Reporting	19%	19%	19%	26%	7%	9%
Financial Reporting	19%	18%	23%	24%	5%	11%
Expense Processing	28%	17%	17%	13%	8%	17%
Regulatory Reporting	20%	22%	23%	17%	6%	11%
Prospectus	17%	12%	9%	18%	25%	19%
Fact Sheets	20%	12%	18%	19%	16%	16%

## Data consolidation is happening, but there's more work to be done

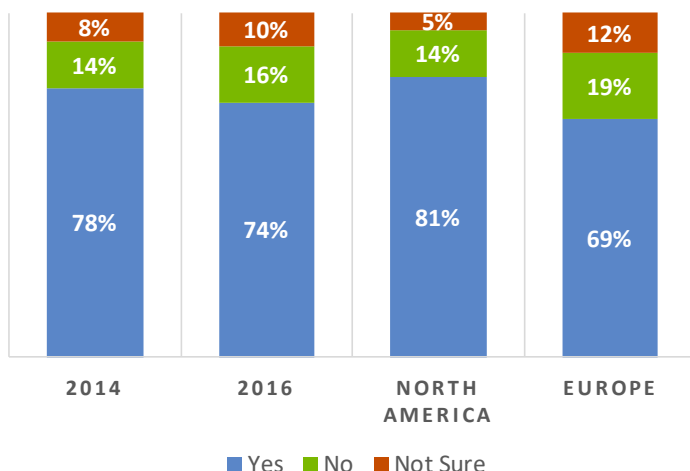
There has been an uptick in the number of respondents who reported that their firm had begun centralizing data—69 percent this year compared with 49 percent in 2008. The percentage of respondents who listed it as a top goal for the next two years nearly doubled this year (44%) compared to 2014 (24%). Additionally, nearly three-quarters (71%) of respondents told us it is extremely or very important to consolidate fund data into a common database. That represents a 21 percentage point increase since we first asked this question in 2008.

*Q: Which if any of the following do you consider to be important goals for your back-office operations over the next 12-24 months? Please select all that apply.*

	2014 N=96	2016 N=189
Centralize data	24%	44%

## Technology consolidation seen as key to improved regulatory reporting and operational efficiency

*Q: Does your firm use multiple third-party solutions to support back-office operations?*



There was a slight downtick this year in the number of firms that said they use multiple third-party solutions for the back office. Still, nearly three-quarters (74%) of respondents said their firm uses multiple back-office systems, compared to 78 percent who said the same in 2014. Among U.S. respondents, 81 percent said their firm uses multiple solutions, while only 69 percent of European respondents said the same.

*Q: IF YES: What would the benefits be to consolidating back office third-party solutions? Please select all that apply.*

Of those respondents whose firm uses multiple third-party solutions, more than half (57%) said consolidation would help their firm streamline regulatory and investor reporting. Nearly three-quarters (72%) said that technology consolidation would help their firm achieve higher operational efficiency, and 59 percent said it would help their firm reduce costs. That represents an 11 percentage point jump from 2014, when 48 percent listed cost reduction as a benefit of technology consolidation.

	2014 N=75	2016 N=140	North America N=83	Europe N=47
Achieve higher operational efficiency through common user interface	76%	72%	<b>73%</b>	<b>68%</b>
Reduce costs	48%	59%	<b>58%</b>	<b>64%</b>
Streamline regulatory and investor reporting	55%	57%	<b>58%</b>	<b>57%</b>
Consolidate into a single trusted source	39%	48%	49%	47%
Facilitate the reuse of data	*	44%	51%	32%
More effective vendor management	29%	39%	42%	32%
Reduced key person risk	29%	35%	34%	30%
No benefit to consolidating	5%	4%	4%	4%
Other	*	3%	4%	2%

*\*item not included in 2014*

A higher percentage of European respondents (64%) cited cost reduction as a key benefit of technology consolidation, compared to 58 percent of North American participants who said the same. Among North American respondents, however, more than half (51%) said technology consolidation in the back office would help the firm facilitate the reuse of data for multiple purposes, while 32 percent of European respondents said the same. The percentage of respondents that said technology consolidation would help streamline regulatory and investor reporting was consistent across North America (58%) and Europe (57%).

## Top globalization challenges

*Q: What is your biggest globalization challenge? Please select one response.*

	2008 N=115	2010 N=132	2014 N=96	2016 N=150	North America N=75	Europe N=58
Centralizing and standardizing processes while maintaining flexibility for localized reporting	19%	24%	27%	37%	47%	34%
Pressure to comply with multi-regulatory regimes simultaneously	15%	16%	13%	27%	21%	34%
Global work flow/collaboration	*	15%	11%	13%	15%	7%
Administering funds across multiple time zones	10%	11%	3%	7%	9%	2%
Optimizing low cost operating centers	*	*	7%	6%	5%	3%
Language barriers	2%	1%	3%	3%	3%	3%
Dealing with multiple currencies	4%	2%	1%	3%	0%	9%
Other	1%	5%	6%	3%	0%	7%

*\*item not included in 2008 and 2010*

Interestingly, there were several changes this year in how respondents viewed their biggest globalization challenges. Standardizing processes globally while maintaining flexibility in each local market saw a 10 percentage point jump since 2014 in the portion of respondents (37%) who listed it as their top globalization challenge. Nearly half (47%) of U.S. firms said this was their top challenge. Meanwhile, the number of respondents that said pressure to comply with multiple regulatory regimes was their top challenge (27%) more than doubled this year from 2014. It was also a much bigger concern this year for European firms (34%) than it was for U.S. firms (21%).

# CONCLUSION

---

Since the economic downturn in 2008, the asset management industry has been tasked with dramatically increasing transparency across their back office. Achieving the level of transparency mandated by regulators and investors alike requires consolidating business data and streamlining back-office systems.

The industry, for the most part, gets a passing grade for its data consolidation efforts. We've made significant strides over the last eight years. That said, the industry earns a non-passing grade when it comes to automating the back office. With that inertia, the industry remains very concerned that manual processes don't provide the control necessary to prevent errors and manage costs.

Technology fragmentation, or the use of multiple technologies in the back office, is most certainly hampering efforts to streamline regulatory and investor reporting, it is also believed to be a barrier to achieving efficiency and reducing cost.

Moving forward, regulatory data requirements will only increase, putting more strain on the back office. Now is the time for our industry to begin resolving infrastructural barriers to process automation and take deliberate steps to realize this collective goal. The regulatory and reputational risk of continued inaction is too great.



# METHODOLOGY

---

Confluence collaborated with Candice Bennett & Associates, Inc., on the 2016 Asset Management Trend Survey. The survey was conducted between June 2, 2016, and July 29, 2016. A total of 192 online interviews were conducted with asset managers and third-party administrators to assess perceptions and attitudes about the asset management industry's greatest operational goals and biggest challenges.



As a global leader in data-driven solutions for efficiency and control, Confluence solves tough data management and automation challenges for the asset management industry, including performance reporting, regulatory reporting, investor communications and fund expense management. Confluence solutions enable asset managers and third-party administrators to consolidate and leverage data across business operations which results in lower costs, reduced risk, decreased reporting turnaround times and the scalability to automate more processes without additional resources. The platform features solutions to support a wide array of fund types – including mutual funds, ETFs, alternative investments, institutional portfolios and UCITS funds.

Seven of the top 10 global service providers license Confluence products and eight of the top 10 global asset managers have business processes automated through Confluence.

Headquartered in Pittsburgh, PA, Confluence serves the international fund industry with locations in Brussels, Dublin, Ho Chi Minh City, London, Luxembourg and San Francisco.

For more information, visit [www.confluence.com](http://www.confluence.com).