Uniquely positioned as the single vendor that solves the broad array of complex data-driven challenges for global investment managers, Confluence provides a data-centric platform of solutions which share value across products – from data integration and governance to calculation, output and reporting – to increase efficiency, grow revenue and reduce risk.
In the fund industry, firms usually look at making impactful changes in times of fiscal austerity or growth. These days there is a focus on both. With a shift back to growth, firms are turning to new and emerging technologies to meet increased regulatory demands while continually reducing costs. This trend is evidenced in Confluence’s 2017 survey where more than 83% of respondents expected fundamental changes to their operating models in the next 24 months. They identified Regulatory Change (60%), Technology Innovation (49%) and Cost Pressures (43%) as key drivers of this transformation.

With the fund industry across the globe experiencing growth again, nine years after the market collapsed entirely, the number one priority is to drive efficiency to, at a minimum, manage costs, and ideally get to a zero-incremental cost transaction. One very tall hurdle that must be cleared to hit this priority is the regulatory pressure impacting the back office. Regulatory mandates are not going anywhere. They are in fact multiplying and getting more and more complex to fulfill, which can have a serious impact on downstream processes.

Another challenge for many firms is that they haven’t reduced costs to the degree intended. It could be because of technology investments that didn’t prove as successful in reducing costs as expected, or because outsourced operations haven’t moved them closer to driving a straight-through environment. All of this has now brought the focus on digitisation.

Causes of fundamental change in operating model in next 24 Months

- The number one priority is to drive efficiency to, at a minimum, manage costs, and ideally get to a zero-incremental cost transaction
- Shortcomings in organisational culture are one of the main barriers to company success in the digital age
- Compliance and audit officers need to move away from the manual review of every single data point in order to have confidence in their accuracy
- Firms who move away from the old days of manual checks and reviews will already be one step closer to operational efficiency

SUMMARY

Question: Which of the following will cause a fundamental change in your operating model in the next 24 months? Please select all that apply. Multiple responses were accepted.
Out with the old, in with the new

In a fully digitised ecosystem it is no longer just about process, but rather looking at data differently from the start and then designing processes around the data in a way that maximises the return on such a valuable asset. Many firms are starting to realise that the real asset is not so much the end output, but be it a financial statement or a regulatory filing, but the data itself.

In the old world, the human-readable end product was the main focus. Now, the human-readable output is just that, one type of output produced by a digitised process that is entirely focused on data first.

And as the number of regulatory filings and client reports that need to be delivered almost on-demand constantly increases, it is no longer the end products that operations teams create that matter the most. The primary focus now is to determine whether the data is accurate, validated, and trusted so it can be leveraged and reused across the entire enterprise. If this is achieved, then most of the focus can be shifted to adding analytical value to the process rather than simply completing the reports.

Obviously, this doesn’t happen overnight. Getting to that level of automation where there is trust in the system and data used means removing a few barriers. The first, and probably the hardest to change, is an organisation’s culture.

The cultural shift

Many people can remember the first time they connected their smartphone account to the Cloud or the first time an online payment was made through a phone or tablet thanks to a fingerprint. A credit card might even have been registered for a much quicker and straight-through transaction the next time. But, something felt strange. Somehow users were left feeling disconnected from the real world. Who would have thought that phones could authorise payments with the touch of a finger? And yet it has become daily routine for many? Shaking up habits and provoking cultural change is not easy and can take time.

According to a McKinsey report, published in July 2017, shortcomings in organisational culture are one of the main barriers to company success in the digital age. In this report, entitled Culture for a Digital Age, McKinsey finds that risk aversion, weak customer focus, and functional and organisational silos are the most significant challenges to meeting digital effectiveness. To overcome that, an interdisciplinary approach is key. Firms won’t achieve the speed and agility they need unless they build organisational cultures that perform well across all functions and business units.

Today in the fund industry, the front office is fairly automated. But the closer one gets towards the back-office side of things, the more manual work, such as data and document reviews, is found. Examples of this type of work abound. Consider for example, a number needed from a final audited financial report might be in someone’s email in a PDF document. The number is then manually typed into a regulatory disclosure and because of the manual process, can no longer be verified. Inserting this type of unnecessary risk happens all the time.

From a cultural perspective, it has been much easier to automate transactional processing operations because it is work that lends itself to pre-programmed automation. On the contrary, financial reporting and regulatory reporting is more analytic in nature and requires a different approach to automation and subsequent adoption. This is where classic automation software falls short. The back office is where the analysis and the compliance checks and audits are happening and those tasks, when performed by humans, are still considered value-add. This must change. The industry needs to rethink the way value is added to the business.

The benefits of digitisation

In a fully digitised world, compliance checks and controls are no longer manual. They too can be automated. Data is constantly verified by technology and with transaction-level data being automated at this point, it doesn’t require human intervention. Of course, there will always be some sort of human intervention to handle edge cases or escalated situations. Looking at exception reports isn’t necessary in the vast number of circumstances. The goal is to move away from the current situation where compliance and audit officers have to manually review every single data point in order to have confidence in their accuracy.

In another McKinsey report published in July 2016 titled, Where Machines Could Replace Humans: And Where They Can’t Yet, it was noted that about 50% of the overall time of the workforce in finance and insurance is devoted to collecting and processing data, where the technical potential for automation is high. So certainly, the industry has much to gain through digitisation.

By coupling process-management software that initiates and tracks the status of an end-to-end process in real time with machine-learning tools that identify patterns in data, either through “supervised” or “unsupervised” learning, statistical data around process ineffectiveness or break points becomes available. This knowledge is a real game changer for compliance professionals, especially in the race to deliver continuously improving compliance results. The technology doesn’t simply help to aggregate the data to create end products, it also sources, verifies and channels the data from end-to-end. It does so with all the checks and controls required throughout that journey, so that operations and compliance teams can have complete faith in the accuracy of the output, no matter the format.

Firms who move away from the old days of manual checks and reviews will already be one step closer to operational efficiency. But with a solid technology in place to help firms gain confidence in their data from the moment it enters the system to the moment it is fed into the end product, they can actually achieve it. Because what a lot of firms are realizing now is that digitisation is a “must have” to empower their back office to deliver added value that meets the industry’s post-crisis growth and efficiency demands. Ready to start?
Let us help you put your organization on a path to positive disruption.

RegTech Positive Disruption

Let your data work for you, not the other way around.

We’re inspired by great innovators who came before us, the ones who believed it was possible and then proved it. That’s why our clients count on Confluence in today’s unpredictable regulatory reporting world.

Unity NXT® Regulatory Reporting

Confluence re-imagined and developed one platform to address current and future regulatory requirements. Unity NXT Regulatory Reporting is our strategic, data-centric regulatory reporting platform.

Powered by Synapse™, Unity NXT Regulatory Reporting enables asset managers and asset servicers to deliver multiple post-trade regulatory filings through one system, finally empowering them to respond to constant regulatory change.

With Unity NXT Regulatory Reporting, your data works for you – not the other way around.

- Integrate, aggregate and re-use data to eliminate redundant processes
- Consolidate business operations across European jurisdictions
- Deliver solutions across the asset class and liquidity spectrum
- Reduce the constant maintenance of processes across disclosures

“In the middle of difficulty lies opportunity.” – Albert Einstein