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Back Office Technology to Finally Come of Age

ExpertView

By Skip Smith

In today's age of smartphones, 4G speed and an app for just about everything, it's almost impossible to imagine that data, the fund industry's most strategic asset, is largely processed manually into spreadsheets. It would be tough to debate that what has always worked for fund administrators in the past would continue to work much longer.

That's because fund administrators won't be able to keep up with the increasing amount and demand for data. Indeed, the amount of data available in the world is growing at a rate of about 50% a year, or more than doubling every two years, estimates International Data Corp., a technology research firm. Many industries are already critically thinking about how to manage, analyze and use this valuable data to their competitive advantage. The financial services industry is no different. With the global nature of the fund business, the need to find ways to manage the data explosion is more critical than ever.

So now that more data is available, regulators and investors are driving asset managers to provide an increasing number of information-rich reports - quickly and accurately. As a result of these global demands for instant access to customized data, we predict that fund administrators will need to adopt and automate processes much more quickly and frequently than they have done in the past. Indeed, 2013 is expected to be a pivotal year for the fund administration back office to adopt technology, particularly in the areas of expense processing and cloud technology.

Skip Smith

Faced with greater regulatory scrutiny and competitive pressure, fund boards and investors are demanding more transparency into fund expenses and how they are managed. That means a more sophisticated expense analysis, a big challenge for fund administrators and boards. Administrators must be able to provide increased transparency, precision, accuracy, and efficiency, and boards must demonstrate due diligence. The impact of these escalating demands is making the outdated approaches to expense processing, which rely on spreadsheets and manual processes, obsolete.

As we look to 2013, fund administrators will feel unparalleled pressure to leave outdated, mistake-prone manual processes and spreadsheets behind and to quickly adopt automated expense processing systems. These automated systems offer fund administrators, fund boards and, ultimately, investors and regulators the confidence they require from expense reporting. Along with increased accuracy, automated expense processing is an efficient, cost-saving tool. While most large fund companies can manage expenses for 35 to 50 funds per person, expense automation has the potential to allow one fund administrator to process expenses for up to 100 funds.

The asset management industry has evolved. Today, there is a greater focus on the investor-what data they want and when they want it; and on transparency-what elements comprise the data and why. Around-the-clock data availability and control of that information have increasingly become competitive differentiators in the financial marketplace. But tapping into this competitive advantage means that fund administrators must seek and adopt new strategies.

Cloud technology is the smartest answer. With the proliferation of cloud technologies-especially through the Software as a Service (SaaS) delivery model-today's fund administrators have new tools to help them work smarter. From CRM systems and payroll services to online collaboration tools, SaaS cloud technology is already highly adopted as the preferred software delivery model for common applications across business enterprises. We believe based on the speed in which SaaS is being deployed that fund administrators will begin to use the technology to power front-, middle- and back-office asset management technology applications - and for good reason.

SaaS is a widely recognized core component of the future IT landscape and market share in enterprise applications. And the adoption rate of SaaS is expected to grow significantly. We predict that 2013 is the year that asset management needs to figure out how they can leverage the cloud to decrease Total Cost Ownership (TCO) and become more agile. Indeed, Forrester Research has predicted the overall SaaS market to increase three-fold to $92.8 billion by 2016, according to a 2011 study.

Financial services technology providers are turning to the cloud as a delivery model that leverages its inherent benefits - such as increased flexibility and lower overall costs-and most effectively meets the escalating globalization and mobilization needs of their asset management clients. Astute business leaders and their IT counterparts recognize that the cloud is no longer experimental or radical; instead, they are embracing it as a strategic differentiator and competitive advantage.

For asset management, in particular, we think five market demands are driving SaaS adoption: lower TCO, increased scalability, globalization, greater agility and mobile demand. With these cloud-based applications, the job of deploying an application and keeping it running from day to day-managing upgrades, monitoring performance, and ensuring high availability-becomes much simpler. This will free fund administrators to dedicate more time to other, higher-priority responsibilities, such as time spent with clients.

By 2015, nearly $1 of every $6 spent on packaged software, and $1 of every $5 spent on applications, will be consumed via the SaaS model, according to IDC. Of course, as enterprises increasingly invest in more SaaS services, many additional issues will need to be determined, such as integrating and consolidating new applications and auditing processes across them. MME

Skip Smith is chief operating officer of Confluence, which develops fund administration software.