# The Future of the Fund Industry

2024 Edition

## FOR EFFICIENT FUND ACCOUNTING, THE DEVIL IS IN THE DETAIL

Exploring the complexity of fund accounting and introducing a new and flexible way to approach it

## IS ‘TRANSFER AGENCY AS A HUB’ THE FUTURE?

Remaining the single point of contact for an essential service

## HOW CAN THE MARKET MAKE THE MOST OF ELTIF2.0?

Retailisation of Private Assets: upsides, challenges, market experience so far

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# A step ahead

**At the Asset Servicing Times Industry Excellence Awards, held in November 2023, Temenos Multifonds went home with the Funds Technology Provider of the Year award. Managing Director Oded Weiss discusses the company's achievements to date and its plans for the future.**

Temenos Multifonds offers investment accounting for both traditional and alternative funds, providing a range of services including workflow and exception-driven processing, intelligent reporting, explainable AI capabilities and integrated Investment Book of Records and Accounting Book of Records views across a broad range of assets and jurisdictions.

With data being a consistent problem within operations teams across the industry, Temenos Multifonds gives clients and stakeholders access to operational data through a real-time data mart and flexible business intelligence reporting tools.

Through these provisions, the firm aims to increase operational efficiency for clients, using enhanced automation and explainable AI for exception management.

The service also enables the consolidation of fragmented systems onto a single platform, and supports clients launching new products and entering new markets.

Speaking to Asset Servicing Times following the win, Oded Weiss, Managing Director, discusses the ways in which Temenos Multifonds stands out from the competition, how the company is facing some of the biggest challenges in the funds industry and what's in store for the year ahead.

Weiss has been the CEO of Multifonds since 2009. In 2015, he sold Multifonds to Temenos.

## 01 | What makes Temenos Multifonds stand out from the competition?

"What makes us stand out is our ability to not just send our clients the software to use, but to actually help them use that software in the best, most efficient way," he says.

"We help them to add more funds, more portfolios, and to use all the efficiencies and capabilities of the platform. That's something that is distinctive to Multifonds."

This differentiation has helped the firm to see considerable growth; "Today, we have more than 30,000 funds on the platform, and trillions of assets," Weiss shares.

"We're the only company that has such a good track record."

## 02 | Bringing scale to private equity

With the accelerated pace of financial services, "times are more challenging", Weiss affirms. "Things that used to take years are expected to happen in months, things that used to take months are expected to get done in weeks." As a result, "We have to be fully immersed in our clients' operational worlds," he says.

Another trial that the funds industry is currently facing is the retailisation of the private equity space following the revised ELTIF legislation in Europe.





**"It's not just about delivering software or technology, it's about successfully migrating the assets to the platform and helping the client to use it in the best way possible."**

## 02 | SaaS and explainable-AI technologies: execution and immediate impact is more important than "buzzwords"

"Everyone's talking about Application Programme Interfaces (APIs) and Software-as-a-Solution (SaaS) and generative AI," Weiss states. "Those are the buzzwords that you hear from everyone."

But simply talking about the latest trends is not enough, and provides no added value for the client. Weiss emphasises the importance of "finding the right use cases to deploy this technology, finding situations where you can actually have a real impact on the client."

The Temenos Multifonds platform highlights its use of explainable-AI (XAI) technology, which serves to enhance manual exception reviews. By automatically identifying false positives, it enables resources to be more efficiently allocated to real exceptions and address unprecedented events. The 'explainable' part of XAI comes from the human-generated explanations attached to each decision and exception that the technology makes, boosting the transparency and scalability of the service.

"There are a lot of companies and fintechs that are telling the same story," Weiss says. At the end of the day, "it's not just about delivering software or technology" to the client. "It's about successfully migrating the assets to the platform and helping the client to use it in the best way possible."

## 03 | Looking into 2024 and beyond

"As the only global platform that crosses asset classes and jurisdictions, doing what we do is quite challenging," Weiss states. Although markets have their own local providers, as a global provider Temenos Multifonds is well-recognised the world.

Looking ahead to 2024 and beyond, "we will continue to invest in more markets, in being able to give tier one global administrators and asset managers the ability to run everything, across asset classes and jurisdictions, on one single platform," Weiss affirms.

"There's a lot to do, and a lot to continue to do," Weiss states, but it's certain that Temenos Multifonds' priority will remain on the organisations using its services. "We're going to continue to invest, extend our reach, extend the depth of our capabilities and support our clients."

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# The future of the fund industry

**What's next for the fund industry? Executive Director Thomas Chevalier discusses four trends that Multifonds and its customers and industry experts have identified.**

**The fund industry is evolving fast. Conversations with industry practitioners and consultants point to four factors driving change that we believe will ultimately make the industry more efficient and effective.**

## 01 | Less can mean more

Cost remains the key concern for asset servicers and the entire fund industry today. While tighter margins can be a challenge leading to, for example fragmented and outdated application landscapes and architectures, it is also proving to be a positive influence for the fund industry.

First, for managers, being focused on reducing the cost to serve can help their clients build value in the services they offer – and ultimately create a better experience for investors. Our customers tell us that the quest for value is prominent in many of their RFPs today, in particular around developing the capability to deliver data in near real time for clients to consume in their own ecosystems. When cost pressures are accompanied by a more competitive landscape, as they are today, the ability for our customers to demonstrate and explain the value they add to a client's ecosystem is key. As one customer said "costs don't hurt if clients can see quality."

Second, cost pressure is a driver of innovation. Overall, we're seeing customers being forced to innovate faster than ever before.





"Data and connectivity are key drivers of quality, scale, and efficiency which allow providers such as BBH, and our asset manager clients, to deliver an enhanced investor experience – something that is highly valued by asset managers and a top priority for BBH. Multifonds Investor Servicing Platform's ability to scale effectively within our overall tech stack has enabled us to provide an efficient and differentiating service quality to our clients who can, in turn, service their investors more effectively."

Managing Director
**Brown Brothers Harriman**
**Tim O'Brien**

## 02 | Private asset retailisation is happening – but its success will depend on technology

In recent years, 9 out of 10 RFPs we received have included requirements to cater for alternatives such as private equity. Our existing customers are also coming to us wanting to be able offer alternatives to their clients. They are seeing clients developing hybrid products, and wanting to distribute more like a retail fund but with the liquidity management they want on the transfer agency side.

Although the demand is there, retail investor flow to date has been relatively curated and small. Alternative players are not accustomed to high volumes, and with some firms still relying on static solutions such as Excel, technology capabilities will be essential to their success in bringing private assets to a broader marketplace.

Multifonds has developed the components that both private and traditional managers will need to support their funds. This includes open-ended features such as liquidity management tools with automated STP to handle high volumes, as well as closed-ended and alternative capabilities such as Commitment, Capital Calls and Distribution processing or Partnership Accounting.

## 03 | Data and connectivity are the foundations for disruption in the fund industry

Disruptive technologies and strategies are always in the news today. Much of the talk is about AI, which in the fund industry already has the potential to help with tasks as varied as customer support, workflow design and fraud direction.

However, our industry expects disruption to come from more pragmatic sources: data and connectivity. Our customers tell us that getting data right is the essential first step to make truly disruptive innovation possible. This means resolving issues around data cleansing, normalisation, storage, transparency and efficiency. In time, not only does this open the door to extracting hugely valuable insights inherent in the data, it also sets the scene for end-to-end digitisation, where “everything can talk to everything”.

This connectivity across the fund industry ecosystem is key to unlocking the efficiencies of automation and the potential of digitisation. We’re supporting this trend by enabling and positioning our investor servicing and investment accounting solutions, Multifonds Global Investor and Multifonds Global Accounting, as hubs that are connected with the wider applications ecosystem and blockchain-based fund distribution initiatives. These solutions now support some of the most diverse sets of assets, from equities to digital assets and cryptocurrencies, and including illiquid and private investments.





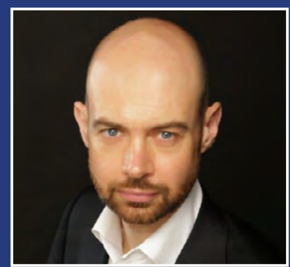

## 04 | Technology is helping the industry to evolve

Technology solutions are well positioned to help managers prepare for the future while controlling costs. Cloud- and SaaS-based offers such as Multifonds reduce the need for technology infrastructure and maintenance, resulting in improved management and dispersion of costs through a predictable annual subscription rather than a one-off license.

Now that SaaS and cloud have become the new standard, we are hearing from the industry that facilitating transition from legacy solutions is key. However, transforming an existing business is like changing a wheel while driving. That’s why Multifonds has developed a migration tool that is proven to reduce the duration and effort of migration projects by 50-75% when moving to Multifonds solutions. This way, businesses can keep moving even as they transform.

## 05 |Positive future

Taken together, these four trends point to an exciting future for the industry. While the cost and competitive pressures are challenging, the opportunity from private asset retailisation is significant. Open technologies that support alternatives and accelerate the industry’s automation will help customers to work more efficiently and deliver greater value to their clients.



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Thomas Chevalier supports Temenos Multifonds’ clients and prospects with their changing technology needs as they continue to seek new ways of digitising their operations, becoming more operationally efficient and reducing risk.

He has many years experience as a European markets specialist, across capital markets, wealth & asset management and insurance. His previous experience includes five years with VERMEG, as well as a number of years at S&P Global Market Intelligence.

# How can the market make the most of ELTIF 2.0?

**ELTIF 2.0 is finally here, having come into force in January 2024 to broaden access to alternative investments. A response to investors' never-ending drive for alpha and the constant quest of fund managers for new revenue streams and offers, the new legislation has the potential to change the shape of the market. In this feature, we ask James Abram, Principal Consultant at Temenos Multifonds, what ELTIF 2.0 means for the industry – the upsides, challenges, market experience so far – and what managers should be doing now to take advantage of this change.**

## 01 | Now that ELTIF 2.0 has come into force, how will it benefit asset managers and investors?

Asset managers stand to benefit in two ways from this new legislation. First, it makes it possible for traditional asset managers to offer attractive alternatives to their clients, who are looking for more diversification and protection from inflation. These clients can also see that returns from private equity funds are outperforming what they can get in the mutual fund market. And for private funds whose traditional market of institutional investors has become saturated, ELTIF 2.0 gives them the potential to tap into a brand new pool of semi-professional and retail investors.

Passporting under ELTIF 2.0 gives asset managers another advantage. Because the legislation is EU-wide, funds can be marketed in any member state without having to comply with local regulations. A fund domiciled in Luxembourg can now be distributed across Europe.

For investors, ELTIF 2.0 means more choice and potentially better returns from alternative investments that have up to now been largely inaccessible to them.



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## 02 | What are the operational and technical challenges of this shift?

First, there's scale and volume. Typically, PE asset managers operate high-value, low-volume operations with small numbers of investors who may each be putting in hundreds of millions. The retailisation of alternatives turns this on its head, bringing in large numbers of investors committing sums that could be as low as €1,000. PE asset managers need to be able to operate at this vastly different scale.

There are also issues around liquidity. Semi-liquid alternative funds have been introduced for investors who need to be able to get in and out of funds more quickly and easily. However, they also bring significant challenges to automation and efficiency in existing support/back-office systems – for example, around how to apply lockup periods and gating mechanisms, or the need for managers to hold liquidity to service redemptions.

Compliance is a further challenge: specifically, how to stay compliant while offering PE investments to both professional and retail investors. Although ELTIF 2.0 loosens many of the restrictions that were in the original ELTIF regulation, managers will have to comply with MiFID II appropriateness tests as they onboard retail investors. Managers will also need KYC/AML frameworks to allow for the onboarding of high volumes of investors.

## 03 | What is the role of Temenos Multifonds in supporting ELTIF 2.0 and the growth of alternative funds?

The capabilities of Temenos Multifonds mean that it is ideally positioned to help the industry overcome the challenges associated with the retailisation of private assets. Its embedded workflow and control framework, native SWIFT interface and private market APIs enable clients to address the challenges of both scale and volume.

Multifonds also offers a full suite of liquidity management tools required by ELTIF 2.0, including gating, fund lock-ups, side pockets, and transaction-level fees. Its asset class coverage spans both long-term, illiquid assets and UCITS-eligible liquid investments, and Multifonds also manages master/feeder and fund of funds structures across asset classes and currencies. Finally, Multifonds addresses the compliance challenges of alternatives, with the ability to record MiFID II assessment data on retail investor suitability.

It is for these reasons that Temenos Multifonds Global Investor has recently been chosen by a leading fund administration provider to support the launch and administration of both closed and open-ended funds with liquidity management features. Here, Multifonds is automating and streamlining investment operations for the provider, enabling it to onboard an unlimited number of investors and automate a wide range of activities including commitment tracking, capital calls, valuation, drawdowns, distributions, and fees processing.





The administrator can use Multifonds across the full investor life cycle, including digital onboarding, AML and KYC due diligence, and MiFID II classification and appropriateness assessment.

With fast onboarding, pre-packaged liquidity management tools and built-in connectivity to SWIFT, NSCC, Euroclear and Clearstream, Multifonds offers an out-of-the-box solution that reduces the time to market for organisations looking to benefit from the opportunities of ELTIF 2.0. Its high levels of STP and exception-driven workflows enable Multifonds to handle the high volumes associated with retail investors coming into the alternatives market.

## 04 | How can managers and administrators quickly take advantage of the ELTIF 2.0 opportunity?

The changes and challenges of ELTIF 2.0 mean that for managers and administrators looking to take rapid advantage of the opportunity it presents, it is less about migration and more about looking for entirely new platforms. It's here that SaaS options such as Multifonds present an ideal solution. Pre-packaged with all the necessary connectivity and capability needed, Multifonds dramatically reduces time to market, with quick training and onboarding, meaning that administrators and managers can quickly take advantage of private equity retailisation.

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James supports Temenos Multifonds' clients and prospects with their global investor servicing needs, helping them to scale efficiently within a rigorous control framework, across both traditional and alternative fund types.

He has many years' experience as a wealth and asset management specialist. His previous experience includes time as a consultant at Capco, as well as time at SS&C (formerly IFDS) and HSBC.

For more information about liquidity management and ELTIF 2.0, please visit: Multifonds for Alternatives and Private Equity - Temenos

# For efficient fund accounting, the devil is in the detail

**Can fund accounting be made easier? Léa Aouston, Principal Consultant, Temenos Multifonds, explores why a new approach is needed in this complex and important area.**

**Fund accounting is a critical part of the administration process. Yet the market perception is that it is an unimportant task, carried out with processes that are inefficient and potentially error-prone. We explore the complexity of fund accounting and introduce a new, flexible way to approach it.**

**Many retail investors have also developed a taste for private investing through increasingly well-organised crowdfunding platforms, which give them direct access to potentially high-growth companies that offer attractive returns.**

## 01 | Accounting: the ultimate source of truth

Fund accounting has a long list of stakeholders who have a strong interest in the process being as meticulous and productive as possible. Clients care about it because it impacts how they will be charged. Government requirements rely on it for accurate tax calculations and regulators need accurate fund accounting data to check whether funds respect their commitments to clients and investors.

These three use cases illustrate why there's a strong need for accounting approaches to be as flexible as possible.

### Client-and asset-specific reporting

Often, clients want much more granular reporting than is delivered by P&L accounting for the NAV. Rather than a single P&L that reflects different asset types, they may instead want to see reporting broken down by different instrument types or by foreign or domestic markets. Fund administrators may also be asked to produce reporting that drills down even further, for example into the returns on specific derivatives, so an asset manager client can clearly separate out their performance on these instruments. Without the ability to manage and report on data at this granular level, fund administrators can be left with time-consuming manual processes and workarounds.

> "The stakes are therefore high and fund accounting has layers of complexity, that place a heavy burden on fund administrators who are under time and cost pressure."





### Countries and industries

In Europe, Latin America and the Asia-Pacific region, some countries require funds to follow a prescribed chart of accounts. So, for example, if an asset manager in Luxembourg expands into France, which has this requirement, they would need a separate chart of accounts that follows the French convention.

Different accounting methods for underlying investments may even be used depending on the level of consolidation (such as multi-strategies within mandates, fund of fund or look-through applicable to insurers regulated under Solvency II).

Scale up the number of funds and consolidation levels and this quickly creates an expensive administrative headache. The same goes for specific sectors, such as insurance funds and pension funds, which have different rules or different charts of accounts.

### Taxes

Whenever a business crosses international borders, tax calculations for fund accounting become more complex, as they need to take into account elements such as local GAAP or IFRS. For example, the fund might have to provide a different treatment for position keeping (average and FIFO) to fulfil the tax requirement and local GAAPs. This can mean using shadow fund accounting and manually replicating tasks to get the different views needed.

## 02 | What efficient and flexible fund accounting looks like

If the devil is in the detail with this critical task, so is the solution.

Traditional approaches mean that whenever a fund follows different rules, it needs to be treated as a separate fund. As the number of funds grows, so does the complexity. The result? Disconnected Excel models, manual workarounds and zero chance of straight-through processing.

Set everything up at a detailed, granular level, however, and there's no longer any need to carry out separate NAV calculations for every GAAPS, taxes, countries, clients, etc. Rules can be applied across multiple funds, so accounting and reporting processes can be automated.

With its flexible data set coupled with extensive fund types and asset coverage, Multifonds enables fund administrators to drill down to a granular level to set up accounting and reporting that meets the requirements of clients, governments and regulators, without having to duplicate tasks or fall back on workarounds.

Together with Multifonds' recent investment in renewed architecture, our unique position in the market – we serve both global fund administrators and niche players in 35+ countries – makes Multifonds the ideal partner to take the complexity out of fund accounting.

> "This rules-based approach is what the Multifonds accounting engine makes possible."

# How integrating IBOR and ABOR can streamline fund administration

**How much time should you spend on portfolio valuation and NAV calculation? As little as possible, says Léa Aouston, Principal Consultant, Temenos Multifonds.**

**With an approach based on a single source of data and intelligent automation, portfolio valuation and NAV calculation can happen quickly and with maximum simplicity.**

## 01 | Why IBOR + ABOR = complexity

For asset servicers, IBOR on its own can create time-consuming administration, especially if it needs valuations that include or exclude many different elements.

Arriving at ABOR brings extra complexity: it must be reconciled with the IBOR valuation and is often carried out in a batch process. Inevitably, this is time consuming – and the resulting picture is out of date as soon as it is published.

## 02 | Why integrate?

There is a way to eliminate this complexity and revolutionise how IBOR and ABOR are handled. If one single entity and real-time workflow can produce all the activities needed for both IBOR and ABOR – pricing, transactions, valuations, NAV and more – it removes the need to reconcile and batch processes.

## 03 | For maximum effective-ness, an integrated approach like this needs three important features:

### Data that is “time aware”

Reference data, transactions and corporate actions need to be timestamped and time zoned so valuation processes can include or exclude deals, corporate actions and settlements based on the relevant timestamp and time zone. This way, data can be stored “bi-temporally”, making it possible for reports to be produced either on an “as now” basis or “as was”, at a specified time in the past.

### One Data Mart for infinite flexibility

All data should be held in a single data mart, a denormalised data model that covers all asset classes. This allows valuations to be highly flexible and granular, including or excluding elements such as soft trades or corporate actions, and making it possible to apply different valuation methods, prices or exchange rates.





With a single data source and time awareness, it becomes possible to create IBOR valuations at any time and with highly specific requirements. Also, as we’ve seen, the ability to integrate ABOR means NAV can be calculated as part of the valuation process and without the need for batch processes and their associated delays.

### Automation that takes away most of the effort

High levels of automation streamline the process even further. Automating daily workflows can significantly reduce the time and effort needed to take care of routine tasks. With today’s technology, multiple valuation points such as start-of-day, intraday and end-of-day valuations can all be set up to run automatically, using different prices or exchange rates and including any new transactions and corporate actions.

As an additional benefit, setting up automations can function as a “to do” list for users, allowing controls to be applied to the workflow and run in real time, removing the need for data to be extracted and checked at the end of the day. This holds true for both IBOR and ABOR processing. This automation means that asset servicers are, in effect, managing by exception, which significantly simplifies the process – providing alerts escalation management where needed, as well as full audit trails.

Finally, the combination of a denormalised data mart and high levels of automation simplifies reporting. Clients can either use built-in reporting formats or set up their own customised reports to be produced automatically.

### Integration in action

**For example, Multifonds’ fully integrated ABOR and IBOR solution allowed a major financial organisation to service a single book and implement a fully automated operating model for fund accounting and middle office needs. It was able to provide fund managers with start of business, close of business, cash and transactions available within 30 minutes of trade processing completion.**


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Lea assists Temenos Multifonds’ potential and existing clients with their global investments and accounting requirements, enabling them to scale efficiently within a rigorous control framework for both traditional and alternative funds.

She has years of expertise as a wealth and asset management specialist and has been working at Multifonds for the past 8 years. She previously worked as a real estate analyst.

# Delivering personalised fund administration services on a global scale

standard chartered

**Country:** Singapore

**Sector:** Fund Administration

**Temenos products:** Temenos Multifonds

**Funds:** $900B in AUM in 22 Countries

## 01 | Refreshing technological capabilities

Standard Chartered is a leading international bank with a presence in 60 of the world's most dynamic markets and serving clients in a further 85 countries. Its securities services arm provides custody, clearing, fiduciary and fund services to client segments that include insurance, asset management and sovereign wealth funds. The organisation's fund and fiduciary footprint covers 22 markets across Asia, the Middle East and Africa.

Supported by Standard Chartered's 160 years of experience as a bank, its securities services business has developed a trusted formula for success: an unwavering commitment to accuracy, commitment and timeliness. It is continually looking for ways to improve, and in the fast-evolving fund administration space, this willingness to adapt is an essential differentiator.

To prepare for the next phase of its evolution, Standard Chartered looked to deepen client relationships by freeing its fund accountants from time-consuming, routine processing tasks. With this objective in mind, the bank embarked on a refresh of its technological capabilities to achieve its goals.

## 02 | Embracing a strategic partner

For the last decade, Standard Chartered has managed its global fund accounting operations using Temenos Multifonds. The bank opted to upgrade to the latest version of the software to realise its vision of digitally integrated accounting and transfer agency platforms within its securities services environment.

Standard Chartered worked closely with Temenos to plan the upgrade, agree on timelines, allocate resources, as well as develop contingency and problem resolution plans.



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## 03 | Adopting a fresh approach

Standard Chartered is using the new capabilities of the Temenos Multifonds platform to drive its transformation from a fund accounting processor to an agile financial reporting hub that can efficiently and effectively contribute to the fund ecosystem. Low-level administrative tasks are now automated, giving the bank's fund accountants more time to focus on value-add services and to foster stronger client relationships.

With faster processing times, Standard Chartered is delivering a more responsive service to its clients.

In addition, it is also driving down operating costs, enabling efficiencies for the benefit of its clients.

## 04 | Keeping pace with change

Standard Chartered is now better positioned to operate in diverse markets, and can adapt faster to local regulatory requirements and individual client demands. As a result, the Bank is increasing its reach into new geographies.

With another successful project with Temenos under its belt, Standard Chartered is turning its attention to what the two partners can do next.

**Read the full success story: Standard Chartered Success Story - Temenos**

association of the
luxembourg fund industry

## ALFI, setting investment standards of the future, today

Since 1988, the Association of the Luxembourg Fund Industry (ALFI) has been embracing innovation in the Luxembourg investment fund centre.

ALFI and its stakeholders have successfully contributed to making Luxembourg the largest fund centre in Europe.

**#innovation #privateassets #UCITS #sustainablefinance**

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## Why Ireland for Funds & Asset Management

Since the establishment of the funds and asset management industry in Ireland over 30 years ago, Ireland has enabled investment managers from all over the globe to develop and expand their international distribution footprint. Ireland is regarded as a key strategic location by the world's leading players, at the forefront of the industry and offers a full suite of locally domiciled solutions and services as a gateway for your funds to Europe and beyond.

With over 17,000 funds professionals, Ireland is recognised as a centre of excellence with expertise ranging from fund administration, transfer agency, and depositary to legal, tax and audit services, stock exchange listing, compliance and consultancy services.

EU-based investors have €1 trillion of investments in Irish domiciled funds, giving them access to investments in Europe and globally. And by attracting global capital into the EU, Irish domiciled funds have €1 trillion invested into assets across the EU. Ireland has also emerged as a leader in ESG investments in Europe, with approximately €1.2tn in AUM - 31% of all AUM.

## The Voice of the Funds and Asset Management Industry in Ireland

Irish Funds is the representative body for the international investment fund community in Ireland. We represent and advocate on behalf of fund managers, depositaries, administrators, transfer agents, professional advisory firms and other specialist firms. Irish Funds has been a leading voice for the investment funds and asset management industry for more than 30 years and shapes the industry through engagement with key policy makers and key services and activities. Last year we delivered:

- 50 submissions, consultation responses and guidance papers with the collective strength of 700 working group members.
- 320+ meetings with key stakeholders
- 38 events, webinars and roundtables
- 185 industry mailout updates
- 3,000 Member Portal resources
- 15+ hours of training and development sessions
- An active online presence with 240 LinkedIn updates and 30K visitors per month to irishfunds.ie.

## Irish Funds International Events 2024

| | | |
|---|---|---|
| Wednesday | 13 Mar | Boston Seminar |
| Thursday | 14 Mar | New York Seminar |
| Thursday | 18 Apr | London Alternative Investment Seminar |
| Thursday | 23 May | Annual Global Funds Conference, Dublin |
| Thursday | 21 Nov | Annual UK Symposium, London |

Visit irishfunds.ie/events to view our full listing of webinars and in-person events.

Ireland is a leader in ESG Investments in Europe with €1.2tn in AUM representing 31% of all AUM.

Read more about Ireland and Sustainable Finance at irishfunds.ie/sustainablefinance and access our latest resources

irish funds

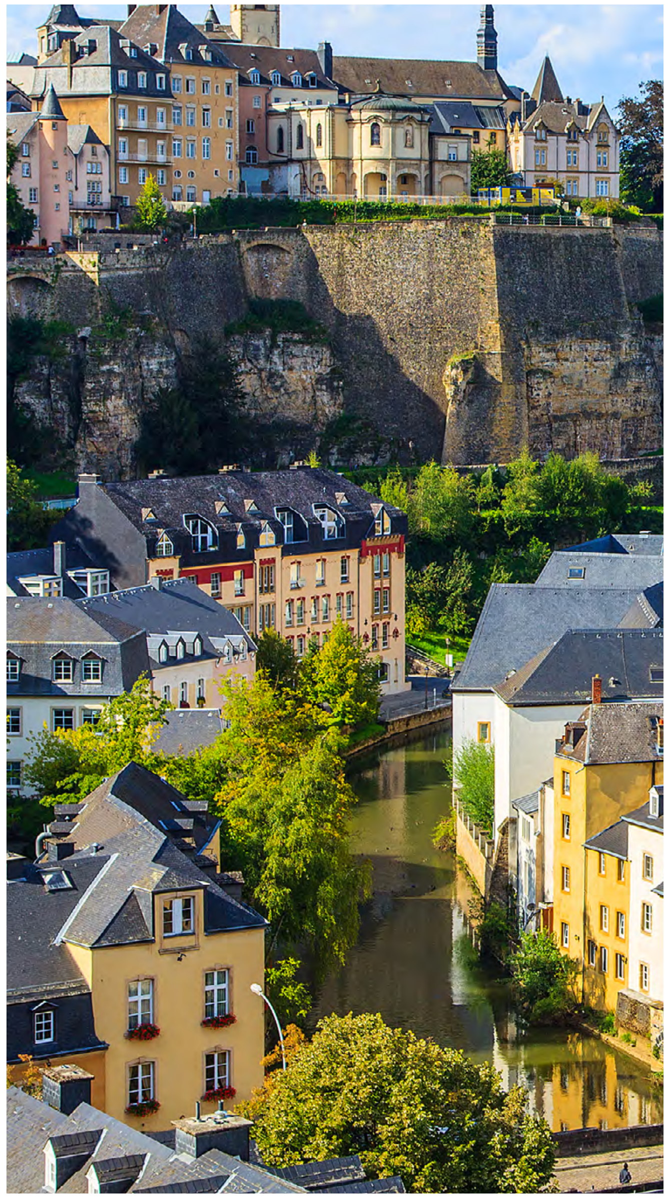
# The latest feature of Luxembourg Private Equity: Technology

**Luxembourg is by no surprise the go-to place for Private Equity. One out of every two funds established in Europe is domiciled in Luxembourg, an increase from two out of ten a decade ago. This amounts to €500 billion in net asset value (€1.1 trillion if we also consider Private Debt, Funds of Funds of PE and Infrastructure).**

It is therefore a big responsibility for the trade body, the Luxembourg Private Equity and Venture Capital Association (LPEA), to represent such a large and dynamic sector. The LPEA is where investors, fund managers and service providers meet to contribute to the development of the industry. It fulfils that role by sharing their voices, contributing to the development of the industry professionals and by setting up international events in the US, Asia and many European cities.

LPEA's growth reflects the expansion of the Luxembourg Private Equity and Venture Capital community. The membership has not only grown in numbers but also diversified in types and profiles. From traditional back-office Private Equity roles, the industry has extended to middle-office risk managers and to investment analysts – especially in the venture segment. It also managed to integrate more investors, notably family offices, insurance firms and private banks (all of which are adopting Private Equity at a fast pace) and with these, some fundraising activity.

The size of Luxembourg and the presence of associations such as LPEA make the country an easy place to get acquainted with different professionals. Growing your network in the Private Equity sector is as much about attending networking gatherings as well as technical workshops and peer group discussions.



That is why when considering Luxembourg, it is important to plug into the ecosystem. The right business partners will never be further than one connection away. It is also a market which offers access to all career levels, starting with internships and first job opportunities for finance careers. Openings like these can be found in the market as well as in LPEA's Digital Job Fair, which is exclusive to the PE-VC sector. The association also offers professional education for those who want to specialise in the asset class (LPEA Academy) and thought leadership opportunities for seasoned professionals. These include publishing in LPEA's Insights magazine, speaking at events or contributing to many of LPEA's YouTube video series.

For a technology-driven audience, there is also a new community emerging. PE-Tech – a combination of digital tools specifically for Private Equity investment and fund management, is crucial for any asset manager or asset servicer wanting to remain efficient in the context of increasing regulation and a competitive fund management environment.

After the creation of the LPEA PE Tech Club, a dedicated PE Tech Map was launched last year to help industry professionals navigate the growing complexity of digital solutions. With over 60 firms registered and new members joining the platform each month, it underlines how critical solutions like these are to help fund managers work efficiently and continue to deliver high performance returns to investors. The map led to the first PE Tech Demo Day in November. There was so much interest and engagement from providers and clients that a second event was held in May. LPEA's commitment doesn't stop here: this year's flagship Insights Conference (October 17th) will bring technology and efficiency to the forefront. It is another reason to cement your Private Equity stake in Luxembourg.


**Author**

**Luis Galveias**
Chief Operating Officer
LPEA


For more information about Luxembourg Private Equity & Venture Capital Association, please visit their site via this code.

# Significant transformations ahead for the Asset Servicing Industry

**Asset Servicers, including Depositaries, Fund Administrators, and other service providers to Asset Managers, have been the backbone of the Luxembourg investment fund ecosystem for many years. In recent years, this industry has seen a great deal of consolidation activity, which was mainly fueled by private equity money. The increased expectations of both investors and regulators have made cost management a key area of concern for the industry, leading to responses such as near- and offshoring or the adoption of smart automation. While sound cost management will remain a pillar of success going forward, Asset Servicers will have to consider four key trends to stay relevant in the years to come.**

## Digital transformation and the adoption of artificial intelligence

Although there has been much discussion about about the importance of digital transformation within the investment fund industry over at least the past five years, still very little has happened compared to other industries. According to a study conducted by EY[1] in 2022 digital transformation efforts at most Asset Servicers tend to focus on fixing problems, e.g., reducing the manual work of specific tasks, instead of taking a more holistic approach that improves client service quality or creates new value-added services that diversify revenues. Niche players and digital leaders have been focusing on building integrated and open platforms which permit a front-to-end collaborative, seamless and transparent workflow experience for Asset Managers when working with their Asset Servicers. To offer more value-added services, e.g., property manager data across all real estate funds of the same Asset Manager, Asset Servicers have to invest not only in data platforms, but more significantly in data normalization processes, as artificial intelligence can only reach its full potential when built on a robust data model.

## Changes in the competitive landscape and business models

Luxembourg's appeal as a jurisdiction within the EU for Private Asset fund structures has not only been attracting non-EU Asset Managers for launching Luxembourg AIFs, but also new Asset Servicers, especially from the United States, who are following their clients. In addition to this development, we are seeing new local market entrants emerging. While these players are a welcome addition to the Luxembourg fund ecosystem, two other phenomena can be deemed more transformative. The first is that due to the need for scale and specialization, many Asset Servicers are starting to form alliances with some of their competitors. Managed Services models for ancillary or underperforming services will therefore change the business models of Asset Servicers and the competitive landscape in coming years. The second phenomenon that can be observed at a few larger players is to diversify away from a service-based business model by selling proprietary technology that smaller asset servicers can use.

[1] Impact of Digital Technologies on Asset Servicers – Luxembourg Industry Benchmark



## Asset Managers seeking value for money

While a couple of years ago cost was the determining factor for Asset Managers when choosing their Asset Servicers, value for money is now the priority. Asset Managers are prepared to pay a premium if they see clear differentiators that align to their operating models in the best possible way. With a view to aligning their operating models and reducing oversight costs, many asset managers are also seeking to decrease the number of their service providers. As a result, Asset Servicers will not only be required to price their services more transparently, but also to rethink the USP they want to bring forward with Asset Managers.

## The retailisation of Private Assets

ELTIF 2.0 can be considered one of the most significant regulatory achievements in recent years. It will determine how Private Asset structures will be designed and distributed to retail investors within the EU. However, while the emergence of the first investment vehicles under the new regulation is just around the corner, many Asset Servicers have still not made up their mind on how to position themselves. Players already servicing retail products such as UCITS are currently better positioned for servicing ELTIFs compared to players that focus on traditional closed-ended AIFs. These servicers mostly lacking the required banking/MiFID license for depositary service, fully fledged transfer agency services, such as connectivity to retail distribution platforms, and accounting capabilities for a variety of liquid assets that ELTIFs are required to hold if they allow for redemptions. Strategic choices for these Asset Servicers can therefore include staying out of the ELTIF 2.0 market, forming strategic alliances to service these products, or making significant investments to developing related capabilities in-house.

CEOs of Asset Servicing firms will have to reflect carefully about each of these trends both individually and in light of how they can collectively impact their business. While the Luxembourg Asset Servicing industry has historically adapted well to industry changes, the power of these trends to disrupt the current investment fund ecosystem should not be underestimated.

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In today's rapidly evolving environment, having a digital sovereignty strategy is no longer optional for any organization doing business across borders.

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For financial institutions as well as other regulated industries operating in the European Union, Oracle provides unparalleled capabilities with Oracle EU Sovereign Cloud, a cloud designed for and operated within the EU.

With EU Sovereign Cloud, customer data and associated metadata resides within the sovereign cloud regions in Frankfurt and Madrid that are isolated from Oracle's other cloud regions. EU-based legal entities established by Oracle owns the hardware, assets, and data center leases relating to the infrastructure. Data-center operations and customer support are handled within the borders of the EU by personnel who are EU residents.

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Oracle's approach to digital sovereignty offers customers more control over where and how data is located, physical architectures that enable data boundaries, and enhanced security capabilities like confidential computing and external key management.

You will have the tools to help maintain control over your hosted data and how it is handled, including Oracle's policy framework for data and operational sovereignty that includes how EU Sovereign Cloud stores and manages data and handles access requests from entities outside the EU.

## Embrace cloud innovation with digital sovereignty

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Christopher Marsh-Bourdon

Vice President of European Union Sovereign Cloud (EUSC) Engineering & Global Financial Markets at Oracle

Luxoft
A DXC Technology Company

# Why as-a-Service operating model

by Phillip Cranfield, Head of Wealth and Asset Management Solutions, and Mark Perkins, Global Offering Lead, Cloud and as-a-Service Solutions

Why **as-a-Service operating model**

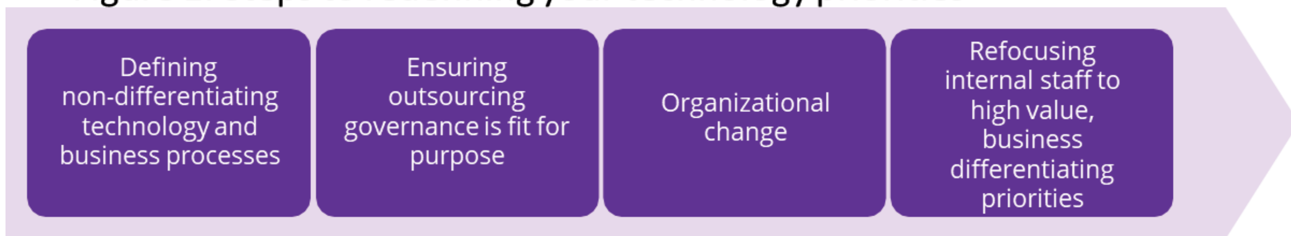
The financial services sector is in a state of flux. Financial firms that were traditionally at the forefront of technology change are now playing catch-up to new market entrants who, unencumbered by legacy technology, are out-maneuvering established organizations. This requires a bold response.

Many large financial institutions have a legacy of technical debt resulting from a landscape of complex, interconnected banking and trading systems, constrained on-premises hardware, and a need to prioritize regulatory changes. Complex technology stacks run at a significant overhead – managing multiple relationships, from contractors to vendors to internal staff–and this financial and administrative burden distracts key players from focusing on revenue generation.

## How can we turn these challenges into an opportunity?

When you can't squeeze operating costs any tighter, there's only one thing to do – rethink how you operate. Completely.

Figure 1: Steps to redefining your technology priorities



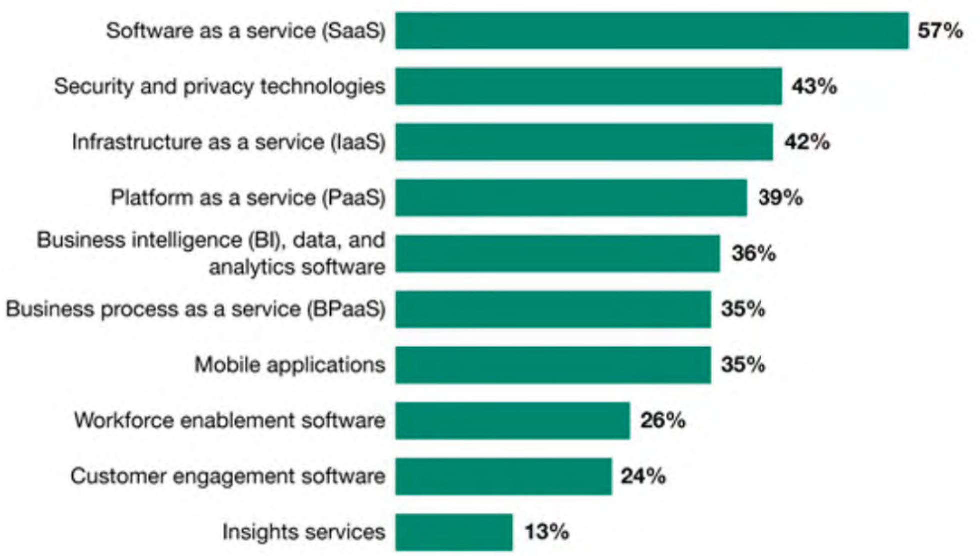

A new way of consuming enterprise software, 'as-a-Service', has evolved, allowing the consumption of the entire technology stack, from infrastructure through to integrated applications, with support and operations, on a per usage basis.

Under the hood, these as-a-Service offerings mutualize key costs, which can help to bring down the total cost of ownership (TCO) for these complex systems. Moving to as-a-Service, also including run and small change capacity, can lead to TCO reductions of 25-40%. This also provides an opportunity to streamline organizational structures, redeploying key staff to focus on supporting differentiating and profitable business activity.

A key benefit of as-a-Service models is that it reduces the risk of falling behind with upgrades, with built-in evergreening helping to predict TCO throughout the service duration,eliminating unnecessary CAPEX spikes. As-a-Service offerings provide the option to support not only the central third-party application, but the wider application ecosystem.

Unlike simple cloud migration – moving an application from on-premises to the public cloud - shifting to an as-a-Service model can reduce technology risk, with advanced cyber security controls baked into the service, whilst bringing further benefits in terms of the ability to scale rapidly, respond to market forces, and keep up to date with the current version.

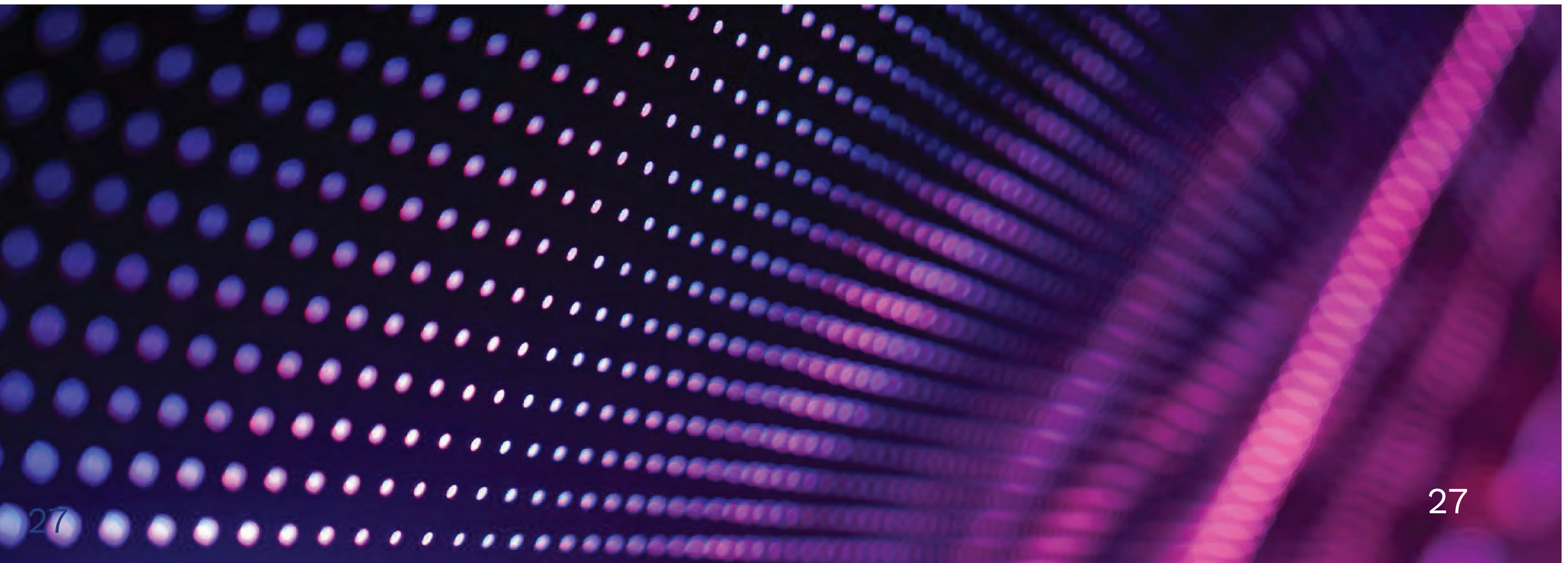
**"In which of the following technologies will your firm invest/is your firm investing as part of its digital transformation?"**




Base: 2,457 global services decision-makers who are involved in their company's digital transformation
Source: Forrester Analytics Global Business Technographics® Business And Technology Services Survey, 2019

Increasingly, these service-oriented business models are being adopted by the banking, insurance, and capital markets industries with an increasingly wide and sophisticated scope. While each industry differs, common and key operating and business benefits are achieved with a wide range of positive outcomes:

- Streamlining operations, typically following Agile principles, and reducing infrastructure and application management for IT staff.
- Built-in cyber security, data privacy, high availability, and disaster recovery via public cloud best practices and services.
- Providing anywhere-access to applications that are hosted on public cloud.
- Ease of integration – integrate data from siloed application databases with analytics and other services via public cloud integration connectors.
- Mutualization of costs through standardization and shared services.
- Reduction in overheads for client staff to consume services, freeing time to focus on business-differentiating activities.
- Continuous upgrades, further reducing the operational overheads when compared to running a platform in full.
- Control over business priorities remains with the client, together with an ability to shape the backlog for future change.





To step up agility, compete more effectively and drive transformation, organizations need to be continually assessing and deploying new technologies and operational models. The as-a-Service model releases money that can be reinvested in this ongoing cycle of innovation.  This model raises standards by deploying the latest technology, more qualified, experienced, and focused staff ensuring higher-quality throughput at scale.

## So, what **are the next steps?**

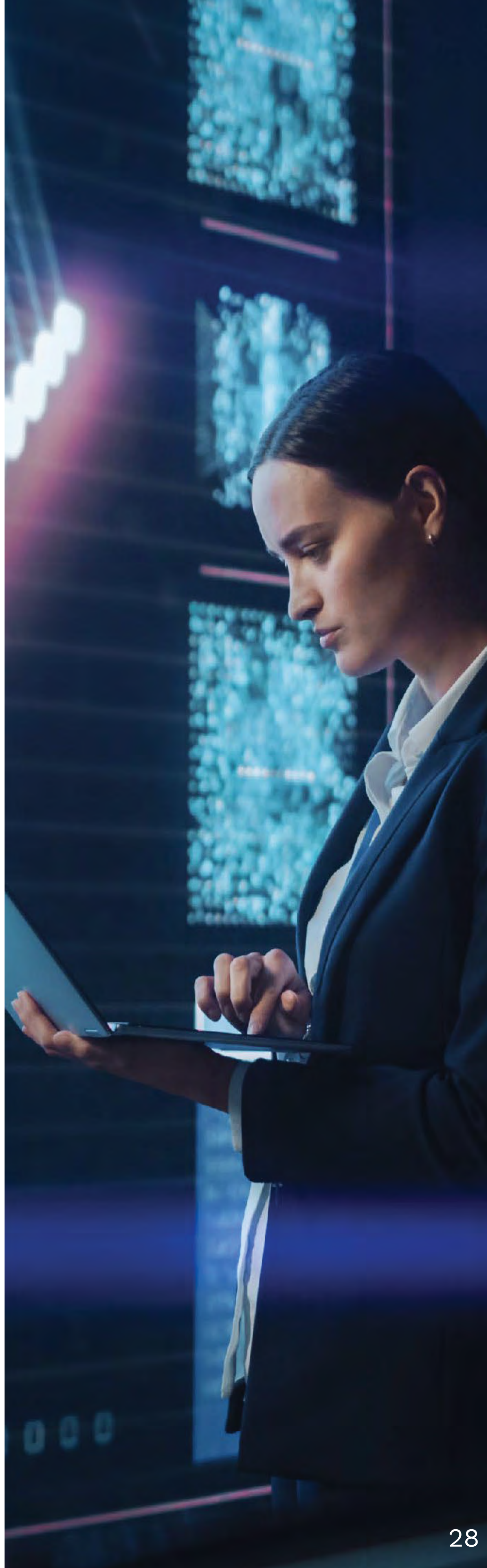
While it's partly about adopting a new technology ecosystem, it's also about adapting business processes to wrap around it. This coordination of adoption and adaptation must be directed at pace and scale, while at the same time keeping up with the needs of current business-as-usual targets.

Firms know they need to invest in the future, but many don't have the margin to begin or sustain the level of investment required. This is where partners come in, not just to provide solutions, but to share the investment; an approach that requires open minds and open books to arrive at the right operational models.

Not all organizations have yet begun their journey, but very few are not talking about their aspirations. Given the myriad of competing business and operational priorities, it is no wonder some firms are waiting for patterns and referenceability to emerge.

Luxoft is working with an industry leading ecosystem of cloud providers, independent software vendors, such as Temenos Multifonds, leading clients and its own transformational (business and technology) and implementation practices to bring this as-a-Service model to its clients in the banking, capital markets and insurance sectors.

Luxoft is helping clients make the journey and realize their large transformational goals. This is what makes us different.



# South-east Asia: a new powerhouse for the fund industry

**Fast growth in South-east Asia is driving rapid evolution in the fund industry across the region. Patrick Tan, Regional Director, and Ugo Bruno, Business Solution Director, at Temenos Multifonds Asia, explore each country's challenges and opportunities and how they can meet the market's demands.**

The ASEAN region is set to become the world's fourth-largest economy by 2030[1], with a young population and a growing educated middle class. It's therefore no surprise that the fund industry in the region is also expanding, as people become wealthier and investment markets mature. PwC estimates that AUM in the Asia-Pacific region is growing faster than anywhere else in the world[2], with a CAGR of 8.7% taking it to $29.6 trillion by 2025.

The region is witnessing a "revolution" in its asset and wealth management industry, driven by technological change and growth in both retail funds and alternatives. Fast-evolving regulations in different countries create challenges for asset managers and asset servicers, while a younger demographic of investors is demanding more digitised engagement.

**According to McKinsey**, the fund industry will need to respond to these trends by "industrialising" with more automation and efficiency, shifting from products to more sophisticated solutions, and digitising.

Markets within the South-East Asia region have their own dynamics and challenges, summarised by our regional experts.

## Indonesia

Out of a population of 280 million, only 13 million are currently invested in mutual funds, but the market is growing fast. This creates a challenge for the industry: for example, one of the largest funds currently has 3 million investors, with month-end dividend distribution involving very high volumes of small sums. Anticipated growth to 35 million investors over the next few years is starting to happen now, so volume is the Indonesian industry's #1 challenge. Any solution must also be flexible enough to handle changing regulations.

> **"Overall, the ASEAN market has the opportunity to take advantage of systems with the balance of advanced technology and functionality that gives asset servicers a competitive edge in providing quality services now and for the future."**
>
> **Patrick Tan**
> Regional Director
> Temenos Multifonds Asia

[1] https://sbr.com.sg/economy/asia/asean-become-worlds-fourth-largest-economy-2030-singapore-pm-lee

[2] https://www.pwc.com/sg/en/asset-management/assets/asset-management-2025-asia-pacific.pdf

[3] https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/Asian%20asset%20management%20Protecting%20and%20creating%20value%20in%20disruptive%20times/Asian-asset-management-Protecting-and-creating-value-in-disruptive-times.ashx



The Future of the Fund Industry 2024

## Thailand

The $12 billion Thai fund industry comprises a mixture of public, hybrid, private, and provident funds. These funds are mostly fixed income, but there are also some mixed and alternative funds. Accounting services and fund administration are provided in several different ways – by Mutual Fund Supervisory Services, a NAV verifier acting as custodian to provident or private funds, back-office administration services (for insurance and asset management companies) and portfolio valuation services. Challenges in this market therefore include complex regulatory requirements, and in-house legacy systems make it difficult to create the automation that will help asset servicers work more efficiently.

## Malaysia

The ability to handle Shariah funds and Islamic accounting standards is a key requirement for the fund industry in Malaysia. This market is also currently subject to regulatory change, and now requires asset managers to manage their own accurate NAV calculations: they can no longer use estimates. Insurance companies in Malaysia are also ramping up their technology to support the funds business. Malaysia is already a relatively mature market in terms of its use of specialised fund accounting solutions, but the overall market is well-positioned for more scalable and flexible systems to meet its growing needs.

## Vietnam

Vietnam is a booming economy that has the potential to be a huge market for the fund industry over the next 5-10 years. Led by an initiative from its regulator, the market is aiming to learn from mature markets such as Thailand, Indonesia and Luxembourg to assess best practice for its legal framework. In terms of technology, firms in Vietnam use many legacy systems, with in-house tech and off-the-shelf accounting systems to manage fund administration and accounting. This proliferation of systems also creates a great deal of manual work. It also points to a huge growth opportunity in Vietnam for technological change, especially as systems will need to be flexible to deal with growing regulation and demands for transparency and accuracy. The market has huge potential to leapfrog from "frontier" to "emerging", quickly achieving the levels of technology and growth seen in more developed countries.

## Philippines

The funds market in the Philippines is growing at a rapid pace to cater to the needs of a diverse group of investors. While the overall market saw less traction in 2022 to 2023, it provides an opportunity for asset servicers to think more deeply into how technology can play a better role in their overall business processes. The Philippines market has embraced SaaS and open technologies, which offer a way to reduce operating costs, and uses a combination of local providers and in-house solutions for asset servicing.

> **"The booming ASEAN market is currently underserved. There is an opportunity to leverage Multifonds' best-of-breed fund investment system, which is widely adopted internationally, while being capable of perfectly handling local requirements and regulations."**
>
> **Ugo Bruno**
> Business Solution Director
> Temenos Multifonds Asia

## One source code for the ASEAN fund industry

As the ASEAN fund industry develops, it needs a system that can help support and accelerate its growth across the region. The challenges we see in different countries suggest that solutions for fund accounting and administration should have three key characteristics:

1. **Flexibility.** The rate of regulatory change and range of asset classes being used mean that fund administration and accounting systems need to be as flexible as possible. An ideal system should offer user-definable asset classes and posting rules, and a highly flexible accounting chart and ledger, enabling firms to adapt quickly to change without the need for core development, boosting the overall time-to-market.
2. **Connectivity.** Open-source API technology with a range of out-of-the-box connectors allows for easy connectivity between different systems.
3. **Stability.** With a flexible, modular system used across the region that emphasises the principle of being "global but local", ASEAN countries can have a 'single source code' for the funds market, creating a foundation for stability and common processes.

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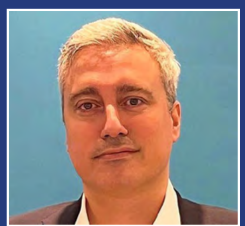
Patrick has over 25 years of experience in the financial services sector across Asia. He brings knowledge across the business and technology domain to the banking and funds industry.



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Ugo has 20 years of experience in the financial services industry. He began his career at State Street Bank in Luxembourg and has held various roles across consulting, product and presales positions.



# Alternative and passive: the future for the LATAM fund industry?

**The LATAM fund industry is on the move. Regulation is empowering customers and new market entrants are offering more choice. As demand and competition build, how can players balance cost efficiency with delivering returns in such a complex region?**

## 01 | Potential for technology and customer growth

In Spanish-speaking LATAM, the largest asset managers are typically part of a local or international financial group, whereas firms in Brazil tend to be independent. LATAM asset managers have therefore lacked the need to improve their efficiency, because they can leverage the funding, distribution channels and brand recognition offered by the parent company.

The result is that Spanish-speaking LATAM tends to have more manual processes, as technology investment in large groups tends to favour the larger banking side of the business. Asset management is relatively small in terms of both volume and income contribution for these larger firms, so it is not always seen as worthy of investment. Overall, the financial culture in Spanish-speaking LATAM is relatively underdeveloped: very few people currently have asset management accounts.

This points to huge potential in the market, both for banks to upsell their banking customers with asset management services, and to target 'digital natives' who want to manage their money differently. Recent EY research indicates that LATAM customers need more help than those in other regions with managing the complexity of investments, and want more specialized services.

## 02 | The rise of alternatives

With higher operating costs and increasingly stringent regulations putting pressure on margins, traditional fund managers in LATAM are looking to alternatives. While these assets currently make up only 1% of the $103 trillion global AUM, they represent 42% of revenue – a figures that is expected to rise to $136 trillion and 46% by 2025[1]. This has recently been highlighted in Chile, where alternatives account for 86% of contributions from new local investment funds[2].

So, for asset managers across LATAM, the move to alternatives offers a profitable route for future product development.

[1]The $100 Trillion Machine, Boston Consulting Group

[2]Alternatives reign supreme in Chile, Funds Society





## 03 | Cost efficiency with passive structures – in many markets

Passive strategies offer a further source of opportunity because of the cost-efficiency they offer to both asset managers and investors. Clients are increasingly sensitive to costs and will move elsewhere if they see lower-cost options. This is feeding through to the statistics already, with passive products growing from 9% to 21% of AUM in 2003-2020 and expected to reach 25% by 2025[3].

The trend towards alternatives and passive strategies is ultimately a result of more competition in the LATAM market. This has been driven by investment from outside the region, such as the acquisition of Mexico's third largest asset manager by the world's largest firm, as well as the arrival of new, local independent asset managers.

Brazil, however, is an outlier. This market has seen an ETF industry revolution that will reduce the number of passive funds locally, so success and profitability for local market players here depends on their ability to work with active funds.

[3]The $100 Trillion Machine, Boston Consulting Group

## 04 | Regulators empowering customers

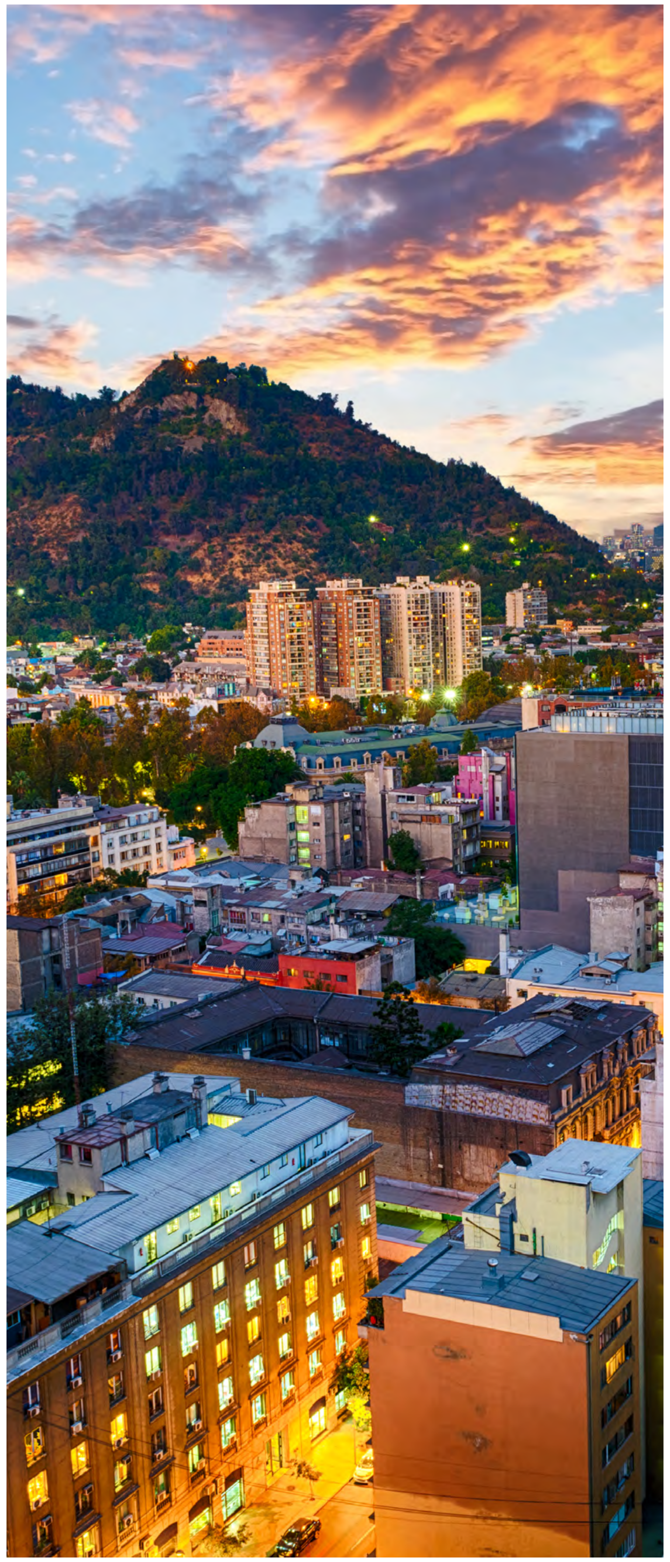
In addition, regulators are pushing for asset managers to be more transparent about their costs, which in turn is creating a generation of better-informed customers looking for more efficient products or better returns – lower fees or more alpha. For firms, this means being able to offer active strategies or alternatives.

Brazil's CVM 175 is the standout example of recent regulatory change, compelling fund managers to implement new technology to improve their internal controls in a move that is expected to create more efficiency and choice for customers. [(A Temenos Multfonds ebook has details on how fund managers can prepare for CVM 175)].

A further incentive for asset managers to look for more competitive strategies comes from asset service players, whose recent entry into markets such as Chile and Brazil is a further indication that the market is growing.

## 05 | Retailisation of alternatives

As investors seek better returns and asset managers look for growth, the retailisation of funds such as private equity is becoming more attractive to the industry in LATAM. As well as opportunity, this brings challenges, especially around liquidity management and dealing with the volumes and operational complexities of making these assets available to retail investors.







## 06 | Technology for efficiency and connectivity

Overall, today's market is becoming all about volume, with margins compressed by regulations, changing demographics and a demand for digital client servicing. Typically, scaling up to meet higher volumes means consolidation amongst players, a process that can be much easier with a single technology platform.

Technology solutions also need to be multi-jurisdictional, which means that as asset managers and servicers grow by acquisition, they can easily fit the operating models of target companies into their own system using a single instance of the technology. Consolidation in a competitive market also creates an incentive for firms on both sides to upgrade their technology platforms, so firms looking to grow and expand through acquisition can do so efficiently whilst maintaining their independance.

As the fund industry relies on extensive local connectivity – for example to price vendors, regulators and databases of asset management clients – solutions need to be able to integrate easily with multiple sources while allowing for future change.

With a presence across the LATAM region, Temenos Multifonds is part of the fund industry's rapid evolution. We work closely with LATAM asset servicers to scale up their traditional and alternative fund management capabilities.

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Karen Skarski has extensive experience working with fund administrators, asset managers, and local regulators in the LATAM region. With over 30 years of work experience in multinational corporations, she has focused on financial sector technology and services. Karen's work history includes several strategic positions at large global companies based in Europe, North America, and Latin America.

# Is 'transfer agency as a hub' the future?

**Questions are being asked about whether transfer agencies can respond to the opportunities of digitisation and the potential threat of blockchain. Are we about to see a 'tipping point' in the industry or a slower transition in response to market changes?**

What is next for the transfer agency model? Some commentators are anticipating a 'revolution' in the space. Described as a 'giant bureaucracy' by Funds Europe[1], the industry, which often relies on multiple legacy systems, has levels of complexity that seem ripe for disruption by new technologies.

## 01 | Digital disruption

A 2023 Deloitte survey of asset servicers[2] confirms this, noting that 75% of respondents saw transfer agency as the function with the highest potential for digitisation. This figure has almost doubled, from only 40% two years earlier. Regulation has moved the focus on to digitising KYC and AML processes to reduce costs and increase efficiencies. Asset servicers are investing accordingly, with transfer agent systems being the most popular area for technology upgrades, as cited by 87% of respondents to the Deloitte survey.

Customer demand is driving the need for digitisation, too, as Gen X customers increasingly favour online solutions and providers for their investments. In HSBC's view[3], this means that transfer agencies' business models will have to change, so that, for example, subscriptions and redemptions can be fully digitised and happen faster. Transfer agents will have to move at the speed of the digital world.

## 02 | Switch to digital ledger?

Then, there is blockchain. There has been speculation that it could render the entire transfer agency model obsolete, by offering instant reconciliation and the ability for multiple parties to access the same records. So far, there has only been slow progress toward this trend, with one major asset manager predicting that by 2030, just 5-10% of transfer agency activity will have moved to distributed ledger technology, with the remainder using traditional systems.

## 03 | Coexisting models

So, for the time being at least, it seems likely that distributed ledger and traditional transfer agency channels will coexist. Blockchain has advantages, especially for 'light touch', highly automated funds such ETFs, money market and passive funds, where it can handle the low levels of complexity involved with these vehicles. However, distributed ledger struggles with more complex structures, where transfer agency expertise is needed. These structures are likely to increase in both volume and complexity as alternative investments gain traction and adoption in retail investment markets. Here, features such as redemption gating, anti-dilution levies and other liquidity management tools need more control and sophistication that distributed ledger can currently provide.

[1]Transfer agency: The attack on TA, Funds Europe
[2]Deloitte Asset Servicers Survey 2023
[3]The future of Global Transfer Agency: A revolution beckons, HSBC





## 04 | 'Transfer agency as a hub'

We believe there is an opportunity for transfer agencies to thrive in this new environment of coexistence, with a 'transfer agency as a hub' model. Transfer agencies already remove the complexity and necessity of having to integrate with differing clearing and messaging venues such as Euroclear, Clearstream and SWIFT. With the right technology solution, they can also handle blockchain-based funds, becoming a central hub for interaction with the entire funds landscape.

## 05 | Technology solution

Temenos Multifonds Global Investor has this 'hub' capability built in for transfer agents. Its Integration Broker uses APIs to connect with multiple distributed ledgers and other venues, managing the data flow to the transfer agency's own platform and carrying out mapping and data transformation.

Using this 'hub' model, transfer agents can handle both simple and complex structures on distributed ledger and traditional platforms, continuing to provide asset managers with a high-value, consolidated single point of contact for the essential services they provide.

It's perhaps for this reason that predictions of the transfer agent's demise seem premature. With the right technology, they can continue to add value in a fast-changing landscape.

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James supports Temenos Multifonds' clients and prospects with their global investor servicing needs, helping them to scale efficiently within a rigorous control framework, across both traditional and alternative fund types.

He has many years' experience as a wealth and asset management specialist. His previous experience includes time as a consultant at Capco, as well as time at SS&C (formerly IFDS) and HSBC.

# Winning new business in a fast-growing market with world-leading fund management services

Nordea

**Country:** Luxembourg
**Sector:** Fund Management
**Temenos products:** Temenos Multifonds
**Total Assets:** USD 100B in (AUM)

With the asset management market in Luxembourg expanding by 20 percent in the last 12 months, Nordea Investment Funds saw a valuable growth opportunity. Already managing client assets worth more than EUR 100 billion in Luxembourg, Nordea looked to enhance its services to attract new business. To achieve these growth objectives, the financial service provider selected Temenos Multifonds to replace its existing on-premises fund management systems. The Temenos solutions will provide access to leading-edge capabilities, including flexible accrual calculations and secure international fund transfers. When fully deployed, Nordea will be able to develop and launch innovative new client services, while the cloud model will improve efficiency and offer seamless scalability to accommodate increasing transaction volumes.

"At Nordea Investment Funds, we are committed to our clients' success with services and solutions that adapt to their evolving needs. Improving our technology infrastructure with key partners such as Temenos is core to this strategy. Temenos' open technology, built on cloud-native components, will allow us to bring new services to market faster to enhance the client experience and scale efficiently to support increased volumes."

**Markku Kotisalo,**
Head of Fund Administration
at Nordea Investment Funds

# The Future of the Fund Industry 2024

Offered by Multifonds

Learn more: