Data updated

OUR PANELLISTS REVISIT THE SUBJECT OF DATA AND REVIEW THE PROGRESS MADE IN TERMS OF STANDARDS, TIMELINESS, QUALITY AND TECHNOLOGY.

PANEL

TONY PEACHAM
Head of data management and reporting, Amundi

SIMON KEEFE
Head of product, Calastone

RICHARD CLARKSON
Global head of solutions, Flexcube Investor Servicing, Oracle

PETRA ROCHE
Client relations and projects, Metrosoft

"COVID-19 HAS SHOWN US HOW QUICKLY COMPANIES CAN ADAPT TO CHANGE, SO WHY NOT LEARN FROM THIS AND FOCUS OUR ATTENTION ON CHANGING THE WAY WE USE DATA?"

Petra Roche, Metrosoft

***FundTech* – Eighteen months on from the last roundtable on data, has there been any progress in terms of the timeliness of data delivery and the quality? Are we in a better place?**

Tony Peacham, Amundi – At Amundi, we have a lot of emphasis on client reporting and regulatory reporting on behalf of our clients as well. Since the last roundtable, we have been focusing more on analytics and the timeliness of reporting through dashboards. We have looked at where data on primary factsheets may affect secondary factsheets. We found that, by doing some retrospective checking on datasheets from previous months, we could deliver more timely reporting and even reduce the timeframe for producing client factsheets by at least a day. By focusing on the quality and the visualisation of the datasets and the reporting, it's enabled us to have better automation and reduce the timelines to produce those reports.

Simon Keefe, Calastone – We've definitely seen a shift, particularly around quality of data. Two years ago, we had clients coming to us looking for lots of trading data without really knowing what they wanted. Now it is more about dashboards. They no longer want all the data but want to see the key information.

Timeliness is also coming more to the fore. We're able to share a lot of real-time trading and settlement information with clients. This gives them the ability to react to market pressures and to see a position within a fund change in real-time over the course of a trading day. It is about showing key exceptions and large trades at key points, on dashboards.

Richard Clarkson, Oracle – The mindset change is evolving and it depends on the asset management community as well as the service provider community, but there is still a dichotomy between them. There is a lot of data for asset managers to consume and they don't always know what they want to consume; service providers are still hampered by legacy platforms and solutions across multiple markets with multiple repetition of data, so basic cleanliness still isn't always there; and investors want data but don't know what to do with it, and that's the problem. Data is mixed between good data that provides real time analysis versus data that requires a lot of manipulation to make it more presentable. So we've changed, and we haven't.

Petra Roche, Metrosoft – There is still room for improvement on both quality of data from a format perspective but also on the promptness when delivering the data. Large asset managers have a huge amount of data from different service providers and distribution partners. While timeliness has improved on the service provider side, there are still quite a few distribution partners who only deliver month end data, and often in a format that can't be used easily, so that makes it difficult for asset managers to get a consolidated view that is current, and cleaning the data takes a lot of time.

The main challenge is to integrate all those available data sources and get a consolidated and unified view for the asset manager.

***FundTech* – What impact has Covid-19 had on data management? Has it helped some firms to accelerate that change in mindset? Has it led to greater adoption of digital technology? Or has its impact been overstated?**

Roche – Companies had very different priorities when Covid-19 hit, making sure everyone had remote access, establishing communication channels with employees and clients and making sure the business was able to continue as efficiently as possible. So I don't think Covid-19 has changed data management practices significantly. However, what I do believe is that Covid-19 has shown us how quickly companies can adapt to change and embrace it, so why not learn from this and focus our attention on changing the way we use data? So to improve client experience, to cut out unnecessary processes, using existing datasets and specialised applications to help consolidate existing data and make it usable.

"ESG HAS BEEN AROUND FOR A LONG TIME AND ITS DATA SHOULD BE BETTER BY NOW, THERE SHOULD BE A MORE STANDARDISED APPROACH."

Richard Clarkson, Oracle

Clarkson – I agree, Covid-19 has been much more about proving that working from home isn't an issue and proving that asset managers and service providers can go from 100% office-based to 100% home-based with no degradation in service. But from a data perspective, we're still running the same old systems in the same old areas. A bigger driver of change in data practices has been the recent issues where data could not be sent out in the traditional format. This forced people to reassess key points of failure from a cyber perspective and consider whether they can share post-settlement data in a more streamlined format, like an API [application programming interface] channel.

You are also dealing with two different generations when it comes to investor profiles. You have the digital native, who lives and works and breathes on the internet and his phone, but the people with the money and actual true investors are still in their 70s and might have a smartphone, but won't be so bought into the digital experience. You need to be able to have a solution that can handle data exposure to the digital world and data exposure to an analogue world. Covid-19 hasn't changed that at all.

Keefe – We've been pushing automation for 13 years and there's always been pockets of resistance in particular areas throughout the world, and in particular client segments as well. What we've seen is that after the initial push to get set up working from home, a number of clients started to realise that their old processes just don't work any more. Operational departments where people sit next to each other passing paper around doesn't work. Those clients really struggled early on and then we saw an uptick in automation, which has continued.

But I would agree that there is a legacy world out there that needs to be serviced. APIs may not be new, but they enable a lot more intelligent access to data. And there are those two different investor profiles out there. New investors are increasingly digital-savvy and can take advantage of new operating and business models, but legacy players are still being connected – everyone is doing their best to service both models.

With our DLT network, we enable new models but connect the old world as well. However we are definitely seeing a divergence between those still in the legacy world and those in the new world who have changed their mindset from simply connecting to the network, to seeing what benefits they can get out of the new technology. Covid has helped that mindset change.

Peacham – Covid-19 overall hasn't affected employee performance of the company – in actual fact, I think it's helped focus some parts of the company to do their job that little bit better because they don't have the distractions of an office environment. But where people have struggled is the lack of interaction an office environment brings and that's where I see the biggest change. There is a case for both having an office to ensure collaboration and remote-working capability to ensure employee operational flexibility, and to face a future Covid-19-type scenario, which will happen.

Clarkson – With Covid-19, it has had much more of an operational impact, forcing operations to look at less paper, and that's probably helping with the data change. In terms of outward-facing communication with investors, I'm not seeing anything come through yet that people are buying into a digital investment world. As an industry, we're still very analogue in terms of our approach to engaging with investors.

But if we see more lockdowns, we will see better infrastructure across the market because you won't be able to pass faxes between A and B any more. And mental health is now much more front and centre. We need to think about our teams, our staff, our partners and colleagues, and not just think about how we get the most out of them. We are losing our social bubbles in the office space, but we've got to make sure that we don't presume everybody can work from home either. That blending will have to happen.

Peacham – I think that's a future model that's not been discussed enough. There will be a split workforce in many companies. There are those that want to work from home and are more efficient in that environment and those that need the social interaction of the office to be effective. The companies that recognise that will be the most efficient and more successful because they see their employees as the assets they are in the best environments that they excel in.

Roche – I agree, and I think that is the challenge of working with teams remotely. You don't have that coffee next to the printer and the little chat, so you need to make sure that you stay connected with your teams and you understand the challenges that they are facing in terms of home schooling or child care. It has completely changed the way we work.

***FundTech* – Regulatory reporting has traditionally been the biggest driver for improving data management, but are other factors becoming more prominent, say the search for alpha, risk management or product development?**

Keefe – Regulatory reporting is not going to let up any time soon, so that's always going to be there. What we've learned over the previous four or five years is that the only way to deal with that is to make the regulator a core part of your data infrastructure, to treat them as another consumer of your data just like investors and asset managers, making sure that they are built into your data model, so that you can make it easy as and when they change regulatory requirements.

That said, on the question of search for alpha and everything we've just said about the pandemic, there's been a realisation that operational processes haven't been as refined as they could have been and there is a focus on how to take that further as an industry. It is more and more difficult to differentiate your product from another asset manager, so you have to look for other angles and data is a key part of that. Access to key data is certainly a focus that we're seeing from clients.

***FundTech* – The ability to use regulatory reporting data for something else as well has always been the nirvana. Are you seeing that becoming more prominent or is it still just an aspiration?**

Keefe – Absolutely, we're seeing it becoming more prominent. Regulation and the data required have driven the need for decent data architecture and strategy. And now we're being forced as an industry to look at where we can get more alpha. Because we've already got the constructs there and that architecture there, clients are requesting the data to enable that search for alpha. Even something like tokenisation essentially revolves around data and getting the structure in place to enable that. It is about getting to a point where you can utilise the data to enable a better model for the end investor. That's where this is headed, and pretty quickly.

Clarkson – I've got a slightly different view about the data management piece from a regulatory perspective. Regulators want data for transparency and protection of the end investor in

"QUANTUM TECHNOLOGY IS A FASCINATING AREA THAT COULD EFFECTIVELY CHANGE THE WORLD. WE ARE VERY CLOSE TO A BREAKTHROUGH."

Tony Peacham, Amundi

effect, and that's to protect the data itself and also to make sure the end investor understands the data they've been presented with. But we work in a global industry with multiple different regulators leveraging multiple different legacy systems across the markets, so do we get improving data management, or do we get more complexity in our data? If you have a solution that can provide better data management, will it actually drive better management or will it be hampered by the ongoing reluctance to accept that the regulator should be a partner and consumer of that core information that you hold?

Peacham – Regulatory reporting and the methods used to produce it certainly drive the requirements for improved data quality and checks. For example, at Amundi, we do tripartite template (TPT) reporting for clients and have traditionally outsourced some of that, which means we have to check the quality of that reporting against our own. We found that to be an onerous process, so we took it back in-house. It is a big factor for client retention, and if they are better assured that the TPT reporting is done at a high quality, it reduces their potential exposure to the regulator and it's a massive sell for the company.

Clarkson – We are moving to an experience economy, so if the investors are going to get that better experience through that service, that is going to be a plus. As a data-driven service as well, it's going to be very helpful, so looking at those analytical and presentation tools will be very beneficial.

Peacham – It is painful for clients to actually do this kind of reporting. It ticks the regulatory box, so to have that done for you as part of the service rather than having to source that data through an API from your service provider to your own reporting and then have to do that analysis cuts a lot of the cost and takes away a lot of the pain and allows them to focus on the investments. Amundi considers a client-centric approach as a key asset in a service offering.

Roche – Regulations are still one of the main drivers for data management because it does affect every organisation. But having a greater understanding of customers and their needs and having the ability to target them more effectively by adapting the products, the services or the business model, that's also an important driver.

***FundTech* – Has there been much progress on standardising ESG data or when a new asset class comes up, is data still the biggest inhibiter to its development?**

Clarkson – If it's a new market or it's a new product, there's always going to be a data shortage because it's inherently new. ESG has been around for a long time and it should be better by now, there should be a more standardised approach to ESG because the world is moving into a more sustainable model and wants that clarity, yet we still see issues cropping up.

Peacham – There is still a bit of confusion in the market because one product may have two different ratings depending on the rating company and its rating methodology. The faith in ESG ratings needs to be more solidified with clients, so when they look at a factsheet or extended factsheet for ESG, they understand what the product is saying about its ESG rating. Like any new dataset, the regulators need time to get their heads around it. But just like we have regulation around other reporting processes, like Priips or MiFID II, there should be a regulation on ESG standards as well.

Keefe – If we've learned anything from MiFID II and Priips, we know that standardisation is difficult to obtain across the funds industry. We end up with different bodies trying to drive standards, and those bodies end up diverging as well, you end up back in the same place, so how do we get everyone together? Logically, data could play a part in that because if you can see and certify the underlying assets held within a fund centrally, it would make it more simple than having the onus on the asset manager to certify the fund.

***FundTech* – Since Covid-19, there's this feeling that the whole world has**

gone to the cloud and will stay there, but what's the reality in terms of cloud adoption? Are there still concerns over security and data portability?

Roche – It is true that companies are increasingly outsourcing to cloud service providers and that obviously brings benefits – reduced cost, enhanced operational efficiency and so on. However, the challenges around data protection and information security remain. Esma [the European Securities and Markets Authority] has over the summer issued a consultation paper with guidelines around governance, due diligence, and the supervision of such outsourcing arrangements that aims to address risks around investor protection, market integrity and financial stability. It remains to be seen if the benefits from using a cloud service provider will compensate the cost linked to implementing those guidelines.

Clarkson – Cloud is without a doubt happening and will provide many, many benefits such as better security and better computers. But companies need to take a holistic view. It's not simply lifting and shifting into the cloud, there is much more complexity to it. You also don't want to have everything with one cloud provider because that is a concentration risk, so how do you plug and play with multiple cloud providers? Complexity will come into it, so you have to look at your ecosystem first, rationalise it, clean it up – which will help with cleaning your data, and then move to the cloud. Jumping straight in might not be the best answer.

Keefe – That is a key point. You have to be set up to move, you can't just say: 'I have a cloud strategy and I'm moving everything next week.' It's like anything with data, it has to be clean and in a good format to enable new models. At Calastone, we are currently moving different services on to the cloud. Some firms may be able to currently manage without the cloud, but as models become more complex and as APIs come to the fore, you would have to be very confident in your internal databases to be able to expand and contract during peaks and troughs. We also see that a lot of the big monolithic distribution platforms find it very hard to innovate because of their technology stack – changing one small part of a database over here affects something over there. So we are seeing more clients moving to the cloud and a microservices-type technology environment where you have separate and dissociated services built and linked to the cloud via APIs.

Peacham – Cloud works for certain company strategies, but for others, it doesn't. If you take Amundi, for example, there is no clear competitive advantage in focusing a massive amount of resources and capital moving a platform, which we currently provide internally at a reasonable cost with good security and the ability for clients to access, to an external cloud. It is really a question of balance. I have done cloud migrations for different services, and I found many of them inflexible. The services are standardised for a good reason – to keep the cost low. There are certain services which make sense to have in the cloud. And it might make sense to move your infrastructure to the cloud if your focus is solely on operational costs. But you shouldn't go to the cloud for cloud's sake. Your cloud strategy has to be based on the benefit you are seeking, whether its performance, accessibility or scalability.

If you were a new company or a new asset manager and you are building a new infrastructure, of course you would look at cloud services first, but if you are migrating an already complex and/or legacy-based infrastructure, you need to spend your time rationalising your IT beforehand. It is about choosing the right technology for the right services.

Keefe – You're 100% right. It's the same with APIs. If you're a new company building a new tech stack, you'd probably use the cloud and APIs because it's arguably the most efficient way to store and get the data, but if you're an incumbent, you have a system and you have connectivity, why do you need to change? You have to have a reason.

***FundTech* – Have we seen any progress in terms of new technology like 5G, quantum computing, tokenisation, robotics and DLT [digital ledger technology] and the impact it could have on the use of data?**

Keefe – Calastone has been live on its DLT network for 18 months and we have learned a lot. Having trading information enables us to share that data internally and with our clients on a permissioned real-time basis. But the technology is moving forward at such a pace that there are new use cases coming out all the time and we are seeing an acceleration in the applicability of those use cases.

The critical benefit is being able to share data on a permission basis around an industry, not just two or three parties – we're talking about having a regulator have access to data and be a data consumer. DLT allows you to plug permission parties in to view data however they want to view it, it doesn't have to be in real time but in a timely fashion, and it's immutable. It's a regulator's dream.

But DLT's only part of the answer. We have trading and settlement dashboards we give to clients, but what we hear from clients now is, 'That's great, you're telling me what I know is going to happen; what don't I know?' New technology and AI enables us to be able to predict against previous trading and settlement flows, for example, what's coming up in the next week or two weeks or the next month for a portfolio manager? What is their liquidity exposure looking like? These use cases are coming to the fore.

Peacham – Amundi has been working with a provider of AI and robotics particularly around automating some of our internal processes and developing proof of concepts for challenges such as PEP [politically exposed person] compliance, factsheet reviews and price updates – all very time-consuming processes. We are running these about 23 hours a day in parallel with the existing manual operations and hope to roll them out very soon. I would love to hear more about the application of quantum technology because it is a fascinating area and one that could effectively change the world. Although progress seems to be slow in relative terms that we are used to in contemporary computing advances, we are very close to a breakthrough that will have profound effects in financial services and the world in general.

Clarkson – The other point with quantum, along with 5G, is that it will explode the data output further, so the ability to handle and process that additional data will be crucial. Quantum will also help the blockchain, which is going to create a lot of redundant data because you're making it immutable. You add each stamp and each block to that, which then creates another large data source, but if you can reduce that down with quantum to a manageable data source that's immutable, that will create the ultimate benefit.

***FundTech* – We have seen open banking and the use of APIs in the banking world. Could we see something similar in the funds market – a kind of open asset management?**

Roche – There are certainly aspects of it that would make asset management

"THE CRITICAL BENEFIT OF DLT IS BEING ABLE TO SHARE DATA ON A PERMISSION BASIS AROUND AN INDUSTRY, NOT JUST TWO OR THREE PARTIES."

Simon Keefe, Calastone

and interaction with the investors a lot more effective. On the institutional investor side, for example, there are definitely sources that can be used to share publicly available information such as regulatory status, address, business licence and so on. By connecting all those sources, the information could be integrated automatically so that the investors would not have to provide it themselves. On the retail investor side, it is more complex because it's personal data subject to data protection and information security regulations.

Clarkson – There isn't the volume of retail investors yet for API-based open asset management. It is also very diverse between countries. In Ireland, we don't have a very big retail fund market at all. The UK would be a large player, but if you look at the French and German models, that's very much based on centralised depositaries. Banking is easier in many ways because it is about money, whereas the funds market is about long-term savings. That is not to say it is dull and dreary, but it's not going to excite people enough to see lots of new open APIs and an explosion of data. At the institutional level, it's much more about 'plug and play' and the ability to get whatever data they want whenever they want it.

Peacham – Amundi's portfolio management system (ALTO) is developed with the open asset management language (OPAL) in mind and we are using it for most of the services we offer to investors and to other asset managers, even reporting. It is also a key advantage for integration, whether that is other entities that Amundi has acquired or to other service providers. From a future-proofing perspective, open asset management language should be part of your overall strategy.

Keefe – We are down the path of making it happen. However, when you compare asset management to banking, there's such a divergence and a larger number of entities that you need to connect, which makes it really difficult. With banking, there is more of a captive audience. But when you look at the trends in Asia, there is a clear demand for a model where you have mass retail investment capabilities directly available in a fund. One of the distributors on our network is Grab, the Uber of Asia, and they enable auto top-ups to funds directly from retail investors' spending, playing back all of the clients' data in the app. We need to take heed of what is happening in Asia because it directly affects the European funds market and, we will start to see the same investor behaviour in Europe in the near future. **f**e