

Asset Management

Delivering Operational Efficiency with Automation

Quick Read

- Designing a target operating model that delivers on operational efficiency will be enabled through automation, data, digital technologies, and data-driven insights.
- The speed of concept to cash has become critical for survival, so building flexibility and agility into the operating model and change program is critical.
- Identify ways of simplifying the end-to-end operating model of the business.
- Cost reduction initiatives should include a clear reinvestment strategy, leading firms to increase their automation and intelligent operations investments.
- For a truly effective service model, asset managers should continue to focus on building scale with an eye on outsourcing and implementing innovative technology.
- The adoption of intelligent automation and emerging technologies is required to accelerate the implementation of automation at scale in part through the re-evaluation (optimisation) of business processes, workflows, and innovation.
- It is important to have an unclouded vision both qualitative and quantitative of the success criteria and business benefits of each automation project.
- Understand the long-term benefits to the business of end-to-end automation (Intelligent Automation (IA) versus Robotic Process Automation (RPA) solutions.
- It is estimated that 80% of data comes in an unstructured format so consider cognitive technologies such as Machine Learning (ML) and Natural Language Processing (NLP) to classify documents and identify key data points for extraction.
- Understand the benefits of creating an automation CoE to ensure standards and best practices are adhered to across the organisation.
- Carry out a comprehensive automation assessment.

BAU or Contingency? In my last article, I looked at the strategic growth strategies of a typical asset manager and considered how Russia's invasion of Ukraine could impact future growth plans. Recent events dictate that the executive leadership must now decide if it is business as usual or even how they should position the organisation to deal with increased geopolitical risk, market volatility, regulatory compliance requirements and inflationary pressures. It is almost inevitable that operating margins will be squeezed as a direct result of current events, creating a greater need than ever to increase the operational efficiency of the business.



Cost Reduction



Scaling The Business



Reduce Operational Risk



Retain Human Capital

Why Automate? In normal times asset managers are looking to maximise operational efficiency to absorb the costs of scaling the business. It is also true that low-cost passive investing increases competitive pressure on active asset managers. The automation of high frequency, repetitive manual processes are designed to reduce costs and operational risks while releasing human talent to complete higher-value work.

Examples & Case Studies

- **Asset Manager** with \$780 Bn AUM (Assets Under Management) - Using intelligent automation, has saved 3 million minutes per year across 35 business functions spanning the front and back office. Implementation of these technologies **led to annual cost savings of around US\$2.1 million**.
- **Private Equity** – Efficient deal sourcing and improving portfolio company operations focus on as deal valuations rise. Firms are increasingly turning to digitalisation for these operational improvements.
- **Private Credit** – Labour intensive, manual NDA and restricted list processes creating compliance risk and slow decision making. Automation resulted in the firm having complete control and confidence in the pre-trade process while speeding up trade execution.

As an example, when discussing business and digital transformation with a Chief Operating Officer, we are interested in understanding which business areas are the prime candidates for change, yielding the most benefits in terms of operational efficiency. It is essential to eke out where the bottlenecks exist from a functional perspective and clearly understand the associated risks to the organisation of not implementing the necessary changes.

Automation opportunities should be identified by carrying out a comprehensive automation assessment. An assessment must consider everything, starting with looking at each project in the transformation pipeline and making sure that it is aligned to the organisation's target operating model. Automation projects can be tactical implementations to add immediate value to the business as these are typically what we would consider the low hanging fruit. Automation implementations can also be strategic and more complex but essential for planning purposes to allow the asset manager to achieve the longer-term transformation goals. The assessment will then look at data, including data extraction, warehousing, cataloguing, governance, and orchestration. The assessment phase will also look at architecture, tools, business processes, design, and internal resource requirements.

Opportunities for Intelligent Automation (Example)

Front Office	Client Services				
	Client Onboarding	Client Insights	CRM	Client Reporting	Research
Front Office	Trading				
	Pre-Trade Analytics	Order Management	Trading Risk Management	Trading Execution	Post-Trade Analytics
Middle Office	Trading Support				
	Trade Capture	Trade Enrichment & Validation	Pricing & Validations	PnL Management	Risk Monitoring and Limit Management
Back Office	Cross Product Operations				
	Confirmations	Settlement & Payments	Asset Servicing	Data Management	Collateral and Margin Management
	Reconciliations	Treasury Operations	Fees & Invoicing	Transaction Reporting	Tax Operations
Legal & Compliance Finance	Financial Control				
	Product Control	Financial Control	Regulatory Reporting	Financial Reporting	Capital Investment
	Legal & Compliance				
	KYC	AML	Audit	Legal Reporting	Tax & Accounting
	High Applicability		Medium Applicability		

Fig 1 – Automation Opportunities – Asset Management Value Chain

The Automation Assessment

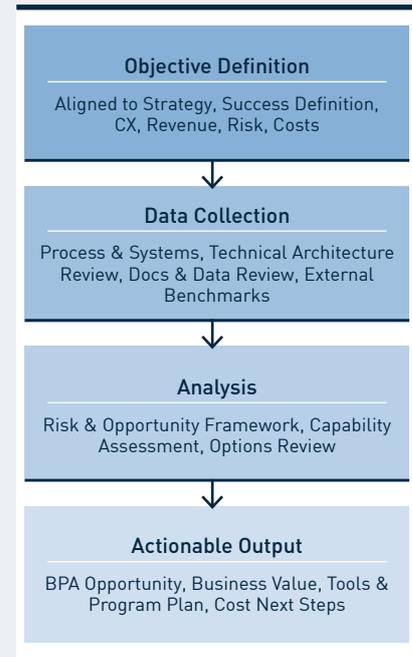


Fig 2 – A Typical Automation Assessment

It is equally important to have an unclouded vision of each automation project’s expected outcomes and business benefits. We would advise that having a clear set of goals and setting the success criteria for each project from the outset should be your starting point. I should also point out that there are significant differences between RPA (Robotic Process Automation) (attended and unattended) and Intelligent Automation, but I will cover this in more detail in a future article. However, there is a clear distinction to be made between native automation or bots delivering operational efficiency (creating a digital labour capability) and operational excellence, which sits firmly in the Intelligent Automation domain.

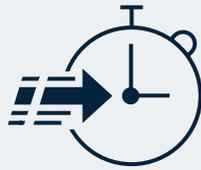
A recent white paper concluded that middle and back-office processes – regulatory, trading execution, treasury, finance, risk, and compliance, for example – will be reimaged and redesigned to enable the future business and operating models. The insight suggests that the adoption of intelligent automation and emerging technologies is required to accelerate the implementation of automation at scale in part through the re-evaluation of process workflows and the use of innovative technologies.

A chief operating officer should be looking to identify ways of simplifying the end-to-end operating model of the business. This can only be achieved by optimising the business processes, increasing the digitisation and automation required to meet the enterprise’s immediate demands, and in so doing, increasing operational efficiency. It is also essential to lay the foundations for the future, especially with the increasingly diverse asset classes and global coverage requirements. The speed of concept to cash has become critical for survival, so building flexibility and agility into the operating model and change function is now crucial.

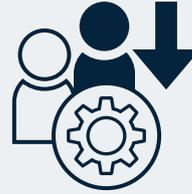
For a truly effective service model, asset managers should continue to focus on building scale with an eye on outsourcing and implementing innovative technology. Cost reduction initiatives should include a clear reinvestment strategy, leading firms to increase their automation and intelligent operations investments. Heads of operations must also identify and break down any cross functional operational silos that exist or are planned. The initiatives must be organised around delivering value to internal/external customers and building relationships with agile service providers and market partners who can work with existing systems and legacy infrastructure. Designing a target operating model that delivers on operational efficiency will be enabled by automation, data, digital technologies, and data-driven insights.



65% Increase in
Productivity



60% Faster
Processing Time



80% Reduction in
Manual Tasks



75% Reduction in
Processing Time

Intelligent Automation KPI's

The next article in this series, will take a much closer look at automation (RPA) versus intelligent automation (IA) and look at some of the advantages and disadvantages of deploying these technologies in asset management. It is also important to consider the increasing use of cognitive technologies such as ML (Machine Learning) and NLP (Natural Language Processing) and how you can use workflow orchestration and business process improvement to deliver a true end-to-end solution.

Who are we? – We are a highly specialist solution provider of intelligent automation solutions to asset and sovereign wealth managers providing both managed and professional services with full implementation of intelligent automation and intelligent document processing solutions.

Experience – Equities, Fixed Income, Multi-Strategy, Real-Asset and Alternative Investments. Intelligent automation solutions can be deployed across an asset manager's value chain (see Fig 1) front, middle and back-office.

Our mission – Is to accelerate a client's time to business value which we achieve by delivering strategic IP (Intellectual Property) within 90-days of engagement.

Philosophy – Using an approach we call intelligent glue we connect a client's existing systems and infrastructure to implement intelligent automation solutions that deliver immediate value

How can we help?

Contact me for further information or to discuss how we can add value to your transformation and change program. Arrange an automation assessment or accelerate the implementation of your automation pipeline.



To find out how **psKINETIC** is supporting asset managers please contact:

DAVID LANDI - *Head of Asset Management*

Email: david.landi@pskinetic.com

LinkedIn: www.linkedin.com/in/david-landi/

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psKINETIC is a leading provider of Intelligent Automation Solutions for Financial Services and Insurance. Our focus is on delivering outcomes and financial return for clients at pace. We don't believe in 'just rip out and replace' – it is too risky and too costly – with our Intelligent Glue we help clients connect and enhance existing systems and processes. Our experienced professionals master a range of automation technologies and we support customers through the full cycle of Design, Build, Run & Optimize.

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