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Operational efficiency driving middle office resurgence

Can technology be the provider of additional growth to the top line?

By Eileen Lian

Asset managers have demonstrated an increasing appetite for the outsourcing of their technology requirements over the last 12 months.

In what is currently believed to be the biggest trend in asset management technology, fund managers prefer logging on to external technology centres, rather than buying their own hardware and software.

"Hosting technology is now the number one trend. Financial organisations want to focus on their core competencies," says John Legrand, managing director of Eagle Investment System's Asia-Pacific and European, Middle East and Africa (EMEA) operations.

"In a couple of years, people will no longer be purchasing software as we know it. They won't buy software on CDs anymore, they'll download it from technology centres," he explains.

As the 100% owned, financial technology subsidiary of BNY Mellon, Eagle Investment Systems has been providing hosting options for ten years now. "60-70% of our new deals are hosted," Mr. Legrand reveals.

Asset managers in the Asia-Pacific region have also become more sophisticated when it comes to purchasing technology, he said. "Historically, a lot of financial firms were sold on the bells and whistles of different vendor solutions."

That has now changed. "The global financial crisis has highlighted a number of concerns, one of which is the financial viability of organisations, such as software companies," Mr. Legrand explains.

As a result, asset managers are exercising greater due diligence on their technology vendors. "They want to scrutinise their balance sheets and financial viability. There is now more attention paid to these details. We have not seen this level of granularity in this industry for some time, not since the dotcom bubble burst," Mr. Legrand observes.

Asset managers want to understand the fundamentals of their software vendors and the amounts that they commit to product re-investment. "A lot of firms that were unsuccessful in North America and Europe have come to Asia," Mr. Legrand cautions.

"Asset managers want to see technology vendors actually investing in their products. Most software firms come up with new products every



John Legrand

five years but things are changing so fast that products get obsolete in about 18 months," he says.

Eagle, he added, releases a new version of its software every 12 months. "At the end of the day, we are technologists. If we were not a true technology company, we would not be able to move this fast. Fifty percent of our staff are dedicated to research and development," he emphasises.

The global financial crisis has also caused widespread cost cutting among asset managers who are, at the same time, striving to achieve operational efficiency. "In the last couple of years, everyone's cut their bottom line by as much as they can. The question now is how to grow the top line," Mr. Legrand remarks.

"Can technology be the provider of additional growth to the top line?" he asked. An example of this is the time to market. "If you have the right technology, you can go to market faster," he declares.

Mr. Legrand says that a proper enterprise data management system should provide for optimal operational efficiency and risk management. It's about taking 20 minutes to react to a bubble bursting. For example, if the Greek market crashes, what is the organisational exposure to that market?

"You can go to almost any back office in Asia and find the staff working till 9-10 p.m. every evening trying to track down data. This is not uncommon. There is a long way to go and technology is not going to solve it all," he adds.

Enterprise data management is not just about reference data. "It's not enough to manage reference data. What about performance data, benchmarks, indices, positions and transactions?" asks Mr. Legrand. Enterprise data management is about the management of all types of investment financial data.

Eagle's data management product sits in the middle office. "What's driving the resurgence in the middle office is operational efficiency," Mr. Legrand notes, adding that, in addition to data management, the software firm's core strengths consist of investment accounting and performance measurement.

According to Mr. Legrand, another result of the global financial crisis is an exponential increase in the demand for performance measurement systems. "There are still many organisations calculating their performance measurement data on Excel spreadsheets. You can't do attribution well on Excel spreadsheets," he says.

The company opened a Singapore office in October 2009, where it currently has seven staff. "Asia is a long term strategy for Eagle. I report directly to the CEO – that's how important Asia is to us," Mr. Legrand says.

Within Asia; China, Japan, Korea, Australia and Singapore hold the most potential for the company; followed by Malaysia, Vietnam, India and Thailand. Eagle offers round the clock telephone and email support from five locations – Pune in India, Singapore, Dubai, London and Boston – all operating as one centre.

Eagle's customers in the Asia-Pacific region include Nomura Asset Management in Japan; Prudential Asset Management, DBS Asset Management, Great Eastern Life in Singapore; AMP Capital, Queensland Investment Corporation and National Australia Bank in Australia. ■

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