



John Legrand of Eagle Investment Systems (right) speaks with Waters editor-in-chief Victor Anderson

Eagle Eyes

THE East

The Asia-Pacific region represents as much a graveyard to technology vendors as it does a happy hunting ground, given the variety of pitfalls and potential spoils on offer to providers with a presence in the region.

By Victor Anderson

In September last year, John Legrand, Eagle Investment Systems' head of EMEA and Asia-Pacific operations, relocated from London to Singapore in a move meant to elevate the vendor's profile and enhance its service offering in the region. But that wasn't Eagle's first foray into the East—the Newton, Mass.-based provider of data management, performance and attribution, and investment accounting products and services, has had a number of buy-side clients across the region since it established its initial presence some eight years ago, and, while this market is still modest in size compared to its US and Western European strongholds, Eagle has added Prudential Asset Management (part of M&G from London), DBS Asset Management, Great Eastern Life Assurance, Nomura Asset Management, Nippon Life Insurance, AMP Capital, National Australia Bank and Queensland Investment Corp. to its client roster. “We opened a permanent hub in Singapore about 18 months ago,” says Legrand, adding that this move might be misconstrued by the market as the first tentative step into the region, whereas in fact household buy-side names like Schroders (Schroder Investment Management), Invesco, and Fidelity were already using Eagle's technology prior to that move.

But seen from the wider third-party technology provider perspective, Eagle's “hub” move is anything but trailblazing: Technology vendors specializing in all areas of the financial services industry have been active in the region for at least a decade—firms like Thomson Reuters and DST Global Solutions, formerly known as DST International, have been making hay there since long before that—and a number of them have carved out lucrative businesses for themselves. And recently Cadis, one of Eagle's keenest competitors in the data management space, followed suit by moving Stewart Plane, one of the London-based firm's founders, to Hong Kong in an effort to not only grow its Asia-Pacific presence, but also to increase its service levels for its growing number of buy-side firms in the region.

Access

According to Legrand, much of the recent interest shown by buy-side players in the region has been for the firm's software-as-a-service (SaaS) offering, dubbed Eagle Access. “In 2010, roughly 70 percent of all our new clients took up our application service provider (ASP) offering,” Legrand says. “The reason for that shift

is that firms continue to look for operational efficiencies, and an easy way to accomplish that is to reduce the footprint of their IT departments; if you look at the costs associated with hardware—for servers and licenses for Microsoft and Oracle, for example—it makes more sense for an organization to outsource that. At the end of the day their primary business is to manage money, not technology.”

Legrand explains, however, that this figure of 70 percent is not exclusive to the Asia-Pacific region, but can be used as a proxy to describe the preferences for all of Eagle’s new clients, even though certain regions show continued reticence when it comes to embracing the outsourcing model. “There are a number of obvious locations that have regulatory challenges,” Legrand says. “China, for example, where they are currently opposed to the concept of outsourcing of their technology or having somebody else host it, and places like Switzerland for data protection.”

Still, Legrand says that Eagle has nonetheless seen a significant uptick in interest from its existing clients looking to migrate various business processes over to the firm’s Access service. “We have seen an increase in interest for many of the same reasons our new clients are looking for that type of medium,” he says. “We expect that to increase as well. I would say roughly 50 percent of our existing client base is genuinely looking at a hosted option with Eagle.”

The Big ‘C’

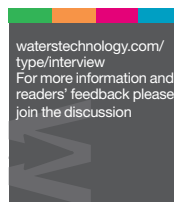
Like most technology vendors vying for a piece of China’s lucrative financial services pie, Eagle boasts a number of offerings that it believes will appeal to local buy-side players. “I think the Chinese market right now is presenting some interesting opportunities on the buy side in particular,” he says. “I think over the last couple of years the Chinese gov-

ernment has deregulated a number of areas, which has opened up the market for Chinese fund managers to do business outside of China.”

Legrand says a number of the operational and technology challenges Chinese buy-side firms are currently grappling with are those relating to the reality of implementing technology that will allow them to woo international investors. In this respect, Chinese software firms have been historically adequate when supporting local buy-side requirements, although their support is somewhat more questionable when it comes to managing International Financial Reporting Standards (IFRS) functions for accounting or Global Investment Performance Standards (GIPS) around performance measurement, and it is here where Eagle sees an opportunity. “If you start talking about complex derivatives, those vendors tend not to be able to cater for that,” Legrand explains. “This forces local institutions that want to grow their international business to look at foreign technology firms.”

But that doesn’t mean to say that Chinese buy-side firms are falling over themselves looking to sign with US or European technology vendors. Much in the same way that the French buy-side industry proved to be a tough nut to crack for English-speaking software vendors, Chinese asset managers have certain, intransigent expectations of their service providers, ranging from local points of presence (PoPs) to language proficiency—although these prerequisites are somewhat less acute than those of their French counterparts, which can be described as bordering on thinly veiled jingoism.

“When Chinese buy-side firms look at vendors today, they want to see local support, a long-term sustainable presence in the region, and that you have an application that supports the local requirements,” Legrand says.



“That might be regulatory, but it might also be along multi-byte lines so that it can support the Korean, Chinese or Japanese language sets.”

No Surprises

In terms of where—specifically—Eagle is seeing demand from, it will come as no surprise to those in the know, that data management is the usual culprit. “It’s an area that has historically not had a business owner,” Legrand explains. “There’s a head of IT, a head of trading who typically looks after the front office, and there’s usually a head of performance who champions the performance system—but there’s very rarely a head of data management. We often find that when we go into an organization that understands the need for effective data management, it’s one of the first things to make it onto the ‘hosted or outsourced’ list.”

Legrand explains that in the two years since the final crisis, Eagle has identified a marked increase in the number of buy-side firms looking to roll out risk and performance systems. As asset managers get into the throes of those implementations, however, they have realized that those systems are only as good as the underlying data feeding them. “If you don’t sort out the plumbing first, you’re not going to end up with a good result,” Legrand says.

The answer to the age-old, junk-in-junk-out conundrum, according to Legrand, starts with what he calls good data governance. “I think with these kinds of projects, there is the potential for them to drag on, but I think it’s really important to understand what your internal data governance policy is—or is going to be—and you need to lay out what your key deliverables and milestones are. If, for example, you are after better visibility in terms of your reference data, then it’s important to identify that first and early on in the project, and phase the approach so that you see some tangible results as the project progresses.” **W**