

Many Asian Investment Managers lag their Global Counterparts in the Adoption of Operational Best Practices, find Stradegi and PwC

Singapore, 25th November 2015 – A new report published by Stradegi and PwC finds that although investment managers have a relatively higher adoption of best practices in the Front and Middle office, there was a tendency to overlook best practices in the Back Office unless explicitly mandated by regulation. The report also highlighted that COOs are facing challenges in meeting regulations and achieving scale. With the rapid growth of wealth in Asia, the rise of passive players and the increased regulations, the investment management industry is undergoing a major transition.

According to the report, **‘Asia Investment Management COO Survey 2015’**, the role of the asset management COO will grow in importance, as strategic decisions on providing scalable product support, building or outsourcing major operational components and the adoption of best practices, will have a significant impact on a company’s growth.

Gordon Brown, Managing Partner, Stradegi, said:

“The evolution of the investment management industry requires that the COO role has the ability to simultaneously support investment teams that invest in a variety of asset types on multiple platforms as well as ensure that the business is able to service a diverse group of clients with increasing demands and rigid cost structures. The new breed of COO needs to be confident in understanding nuances and details to support the business and make sound strategic decisions.”

The survey finds that if not regulated, adoption rate of industry best practices is reduced significantly. Surprisingly, certain practices that are regulated such as outsourcing oversight (60% in Asia and 64% globally) had low adoption rate.

It also highlighted that Asian players lag behind their global counterparts in adopting comprehensive operational best practices. Global players have faced higher regulatory scrutiny and have had to adopt best practices to ensure consistency and scale across global platforms in order to mitigate operational risk. As Asian Investment Managers grow geographically and in size, the adoption of best practices will take on more importance.

It came as no surprise that “meeting regulatory requirements” (50% globally) and “ensuring scalability of operations” (38% globally) were the top challenges voted on by the COOs, especially considering the environment post the Global Financial Crisis. The global impact of increased regulatory scrutiny and the need to reduce costs are both common challenges faced by all financial institutions across the globe. Although the asset management industry has been thriving in recent years, the surge of new competitors with innovative product offerings has created a challenging environment.

The results of the survey showed that operational outsourcing in the industry is projected to grow in Asia, with only 6% of the respondents expecting the outsourcing budget allocation to reduce in the near term.

Asian asset managers voted “costs involved” as the most important driver (7% globally, 35% in Asia) that influenced their decision to outsource, whereas global managers considered “strategic significance” (42% globally, 15% in Asia) and the “ability to release capacity” (28% globally, 5% in Asia) as their key drivers for outsourcing.

Justin Ong, Asia Pacific Asset management Leader, PwC Singapore, concludes:

“In the new decade, asset management will move centre-stage, driven by the changing demographics and new opportunities created as a result of regulatory changes. To capitalise on this growth, Asian asset managers need to do more to get themselves to the next level of competitiveness and maturity, whether it be in the front, middle or back-office functions. Scale will be critical, but using technology effectively to create an efficient operational infrastructure will separate the winners from the laggards.”

Please visit www.stradegi.com/ for the detailed report.

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Notes to Editors:

The report titled ‘**Asia Investment Management COO Survey 2015**’ provides an understanding of where the industry currently stands in terms of operation best practices and what are the priorities and challenges faced by the COOs in Asia.

This year the survey focused on three key markets, Singapore, Hong Kong and Malaysia, with a total of 34 Asia-Pac COOs responding. In terms of assets under management in Asia, slightly less than half of the respondents (44%) were from firms managing assets less than US \$5bn, followed by almost a third (31%) managing assets between US \$5bn and \$50bn and the rest (25%) managing over US \$50bn.

About Stradegi

Stradegi is an Asia based management consultancy exclusively focused on the investment management industry. The team advises asset managers, insurance companies, pension funds and sovereign wealth funds in the areas of business strategy, operational best practices and governance.

The firm was established in 2013 in Singapore by a group of individuals with significant experience in senior roles on the buy-side. Our consultants have first-hand experience of the pains and frustrations that management teams go through in resolving Front, Middle and Back Office issues, and thus offer targeted and relevant advice.



The Stradegi team brings an expert, practical and independent view that is based on an in-depth understanding of the buy-side in Asia. For more details, please visit www.stradegi.com/

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