

A network diagram with orange nodes and lines on an orange background, transitioning to a white background at the bottom.

The impact of technology and regulation for funds

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A Funds Global Asia survey in partnership with Calastone

A background network diagram consisting of numerous grey circular nodes of varying sizes connected by thin, light grey lines, forming a complex web-like structure.

“We don’t make investment decisions based on regulation. We make them based on technology... The reality is regulation often lags behind innovation.”

**Bill Maris, founder of Google Ventures,
as reported in the Independent, October 2014**

The survey

238 funds professionals participated in the survey conducted online between January and May 2018

- Administration: 40%
- Distribution: 22%
- Manufacturing: 8%
- Other: 30%

By geography

UK: 33%

Luxembourg: 15%

Hong Kong: 12%

Ireland: 8%

Singapore: 6%

Jersey: 3%

Switzerland: 3%

Taiwan: 2%

US: 2%

France: 2%

Isle of Man: 2%

Netherlands: 2%

Germany: 1.3%

Malta: 1.3%

Spain: 1.3%

Sweden: 1.3%

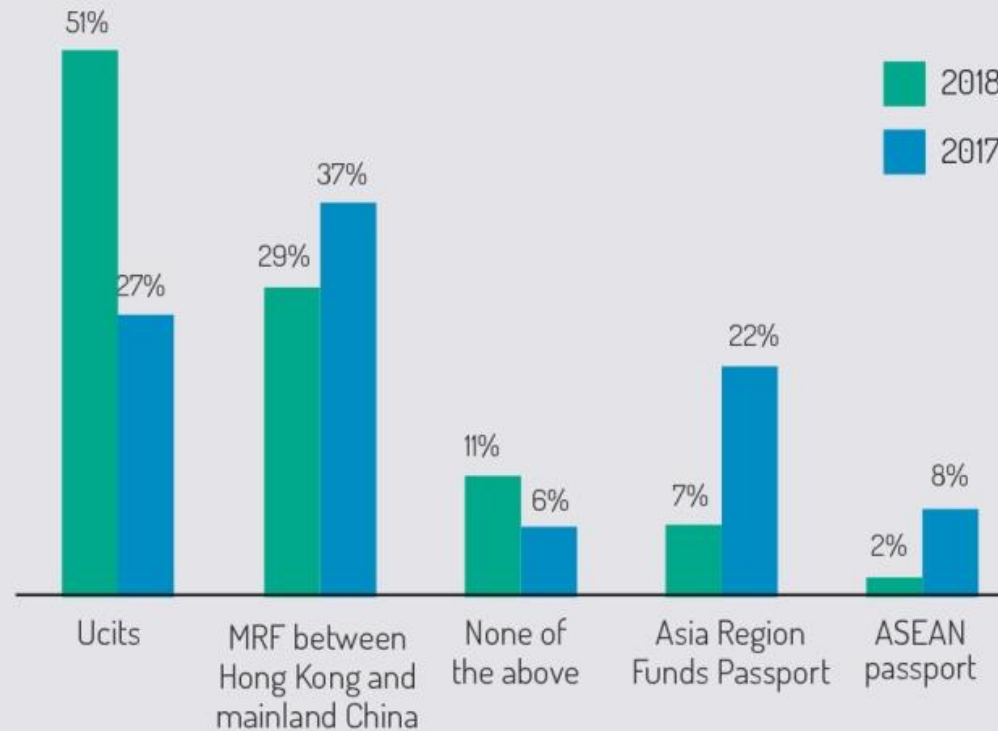
Elsewhere in Europe
(including Greece, Italy,
Belgium, Finland and
Slovakia): 3.5%

Elsewhere in Asia
(including Malaysia and
mainland China): 1.3%

Africa: 1%

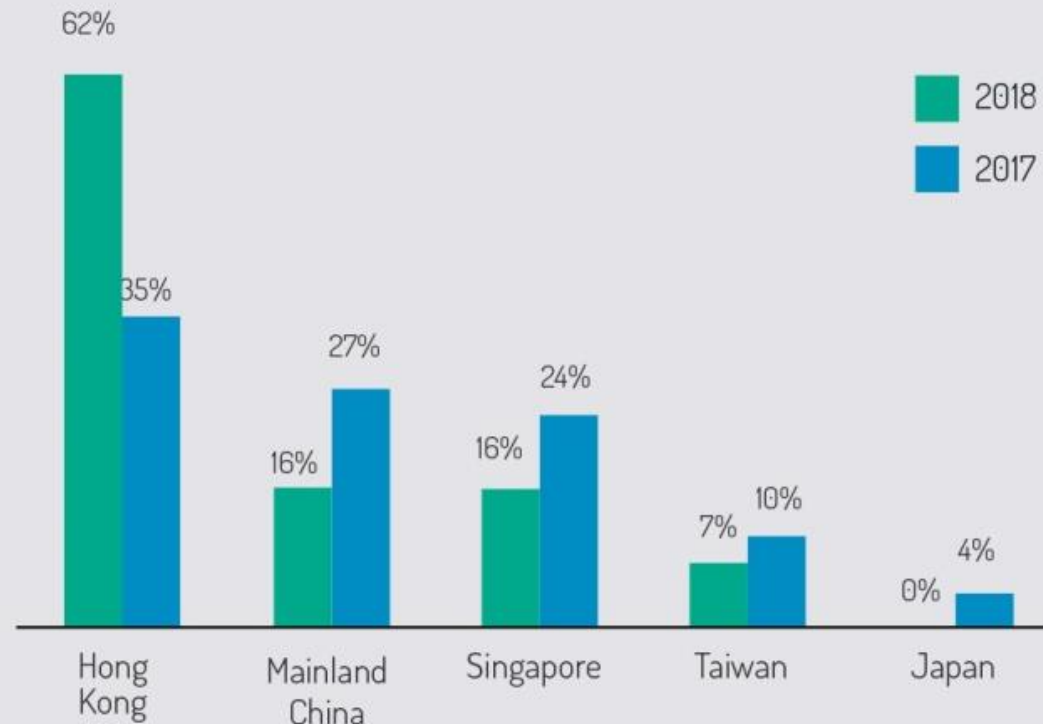
Regional passporting out of favour

A. Which passporting scheme has the best chances of success?



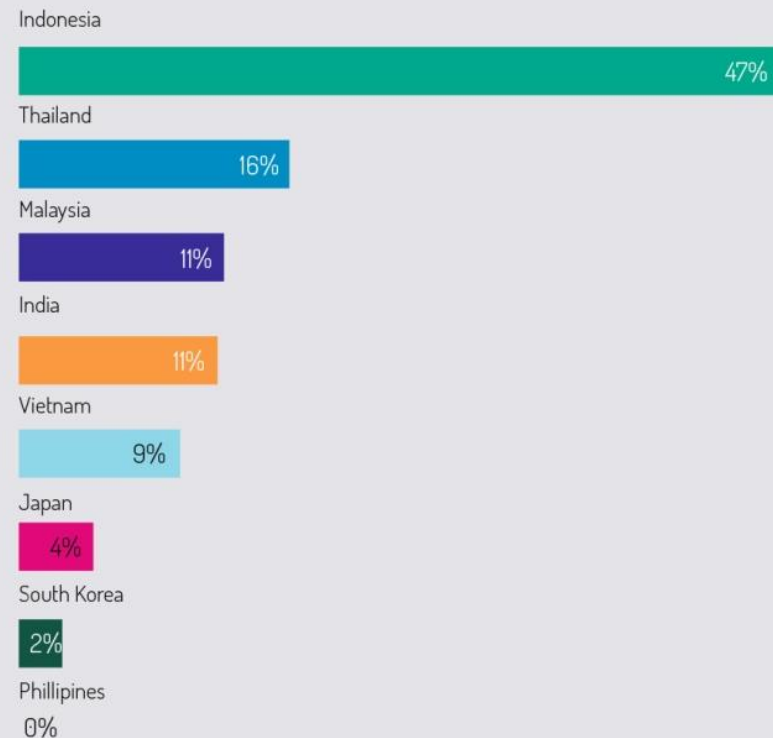
Hong Kong in front

B. Which country will be the most important for cross-border fund distribution in Asia?



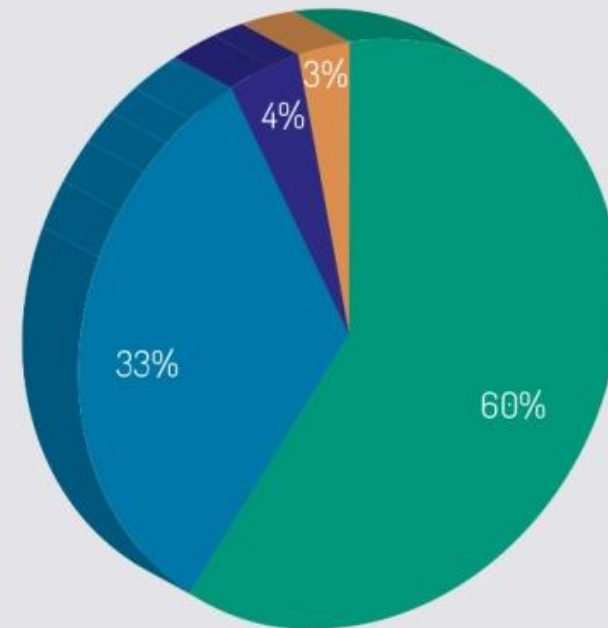
Indonesia is the one to watch

C. Which of these emerging fund centres in Asia do you think offers the most attractive market for asset managers to grow their businesses?



It's a lot of work

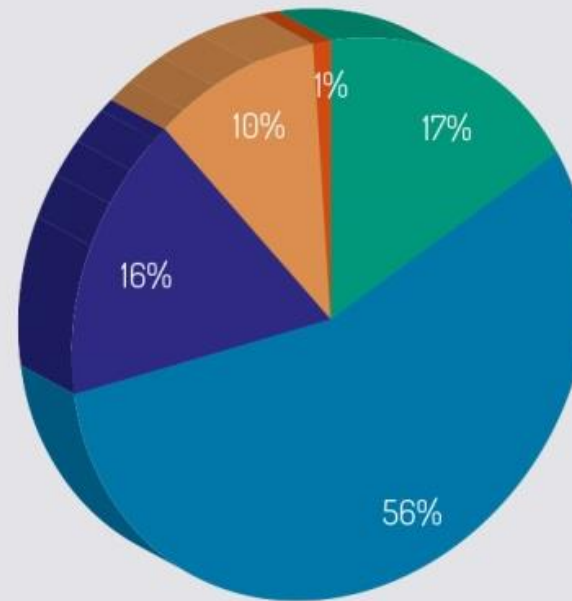
1. Do you agree with this statement: 'The amount of effort required to comply with regulations in the funds industry has increased in the past year'?



Unintended consequences

2. Do you agree with this statement: 'A side effect of regulatory compliance is underinvestment in other parts of the business'?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree



A desire for tech

3. If regulatory compliance had a cost of zero, what would be the main priority investment area?

Technology



Distribution/marketing




Product development



Other



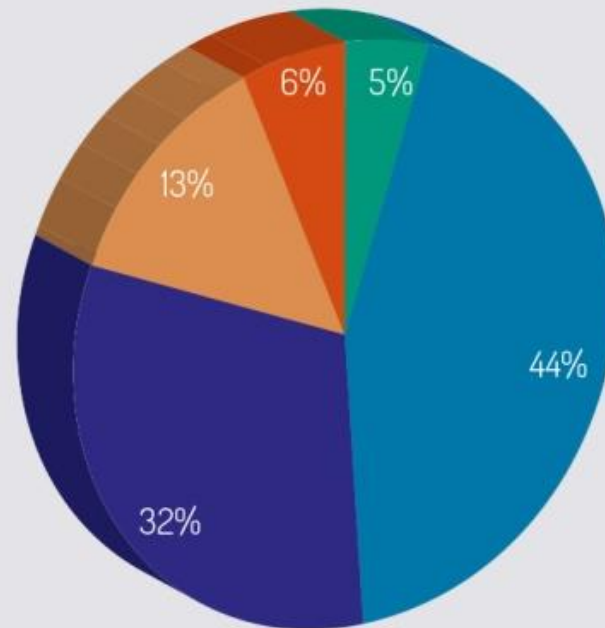


“Technology is rapidly evolving and unless a special focus or personnel keeps pace with such development, then very quickly asset managers will lag behind.”

Ambivalence

4. Do you agree with this statement:
'Regulation creates a better outcome for
the end investor'?

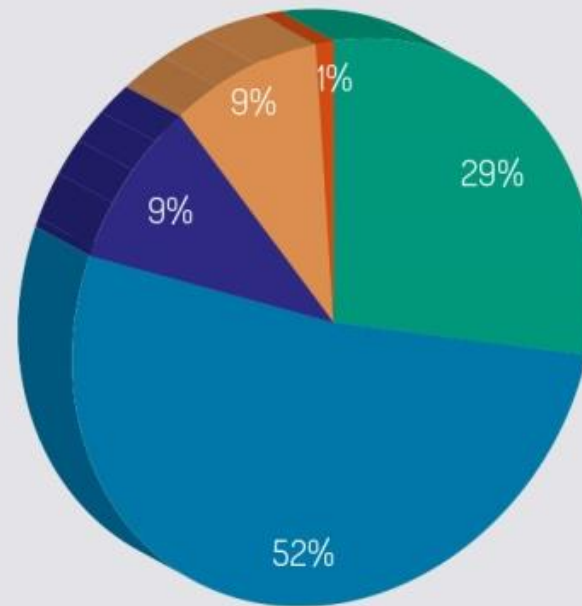
- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree



The investor pays...

5. Do you agree with this statement: 'The cost of regulation will ultimately be paid by the end investor'?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree



A steady clip

6. Please estimate how much regulatory/compliance costs have changed at a typical asset management business in the past year:

Costs have risen between 0%-25%



Costs have risen between 25%-50%



I don't know



Costs have risen by more than 50%



Costs have reduced/stayed the same



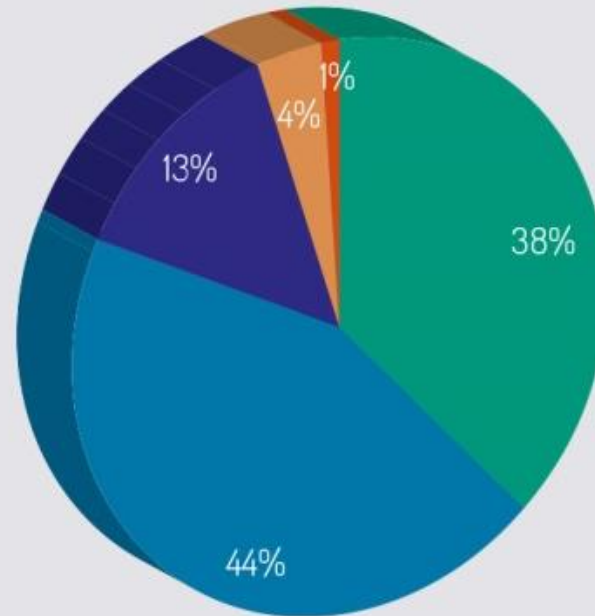


“Culturally, the asset management industry has operated in the same way for the last 30 years, so there is not necessarily the understanding or the urgency of adopting new technology. Likewise, the firms’ cultures are not prepared for working in a more disruptive environment.”

Tainted legacy

7. Is legacy technology a problem for the funds industry?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree



Blame the back office

8. Please say which type of technology is most affected by legacy problems

Back-office technology

52%

Middle-office technology, such as customer-relationship management systems

23%

Front-office technology, such as data-oriented distribution systems

14%

Compliance and regulation technology

4%

Websites and mobile apps

7%

All hail blockchain

9. Which of these emerging technologies will have the biggest impact on the funds business?

Distributed ledger technology (blockchain)

44%

Artificial intelligence

21%

Robo-advisers

16%

Regulation technology (regtech)

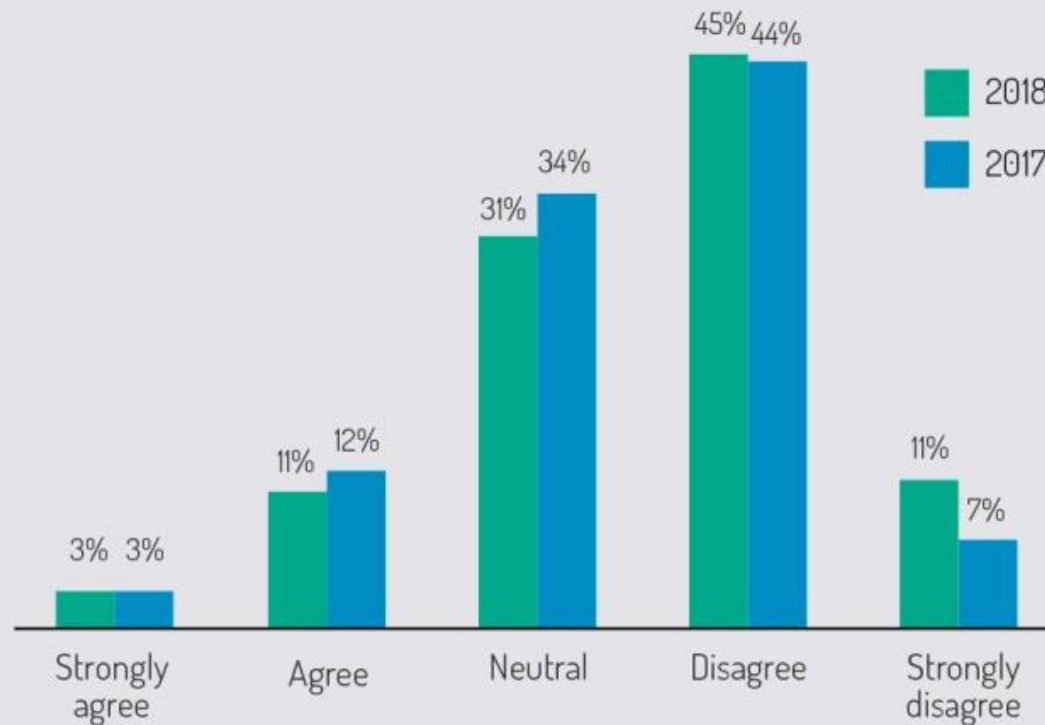
16%

Other

3%

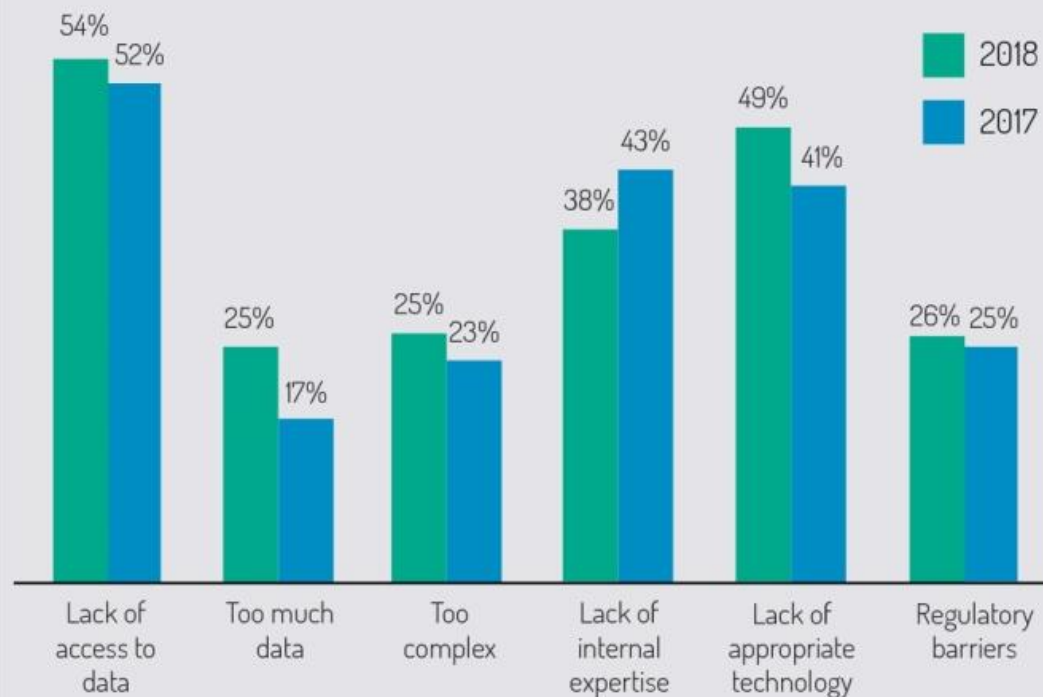
Not good with data


10. Do you think asset managers are good at making use of data about their distribution supply chain?



Access denied

11. Understanding end investors' needs is paramount for asset managers. What are the main issues that they face in understanding end-investor data?

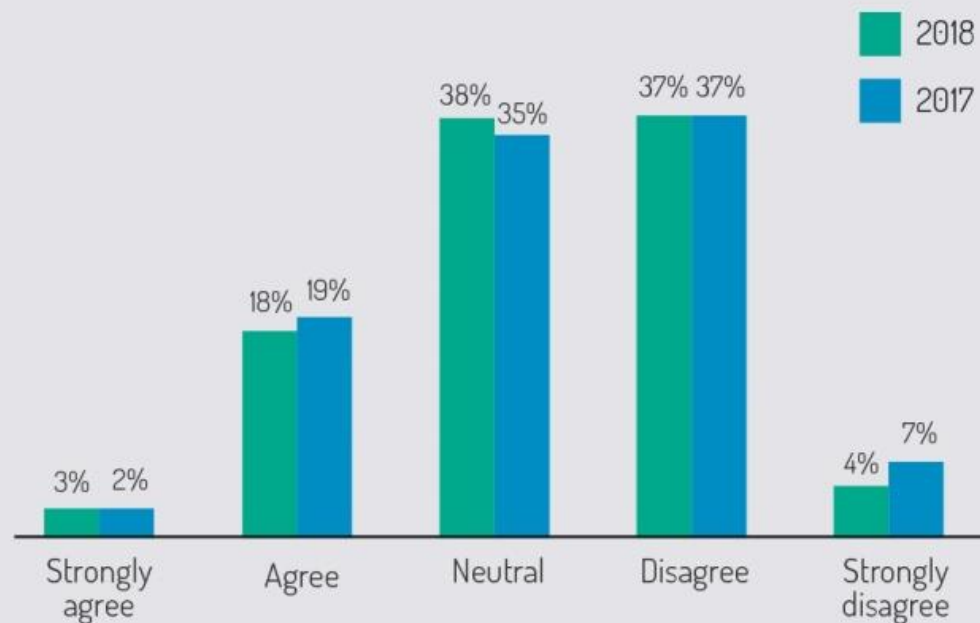


A background network diagram consisting of numerous grey circular nodes connected by thin grey lines, forming a complex web-like structure.

“Many asset managers rely on administrators to provide all information to investors, meaning they rely on the administrators’ technology and data. They don’t invest themselves into their own end-user experience.”

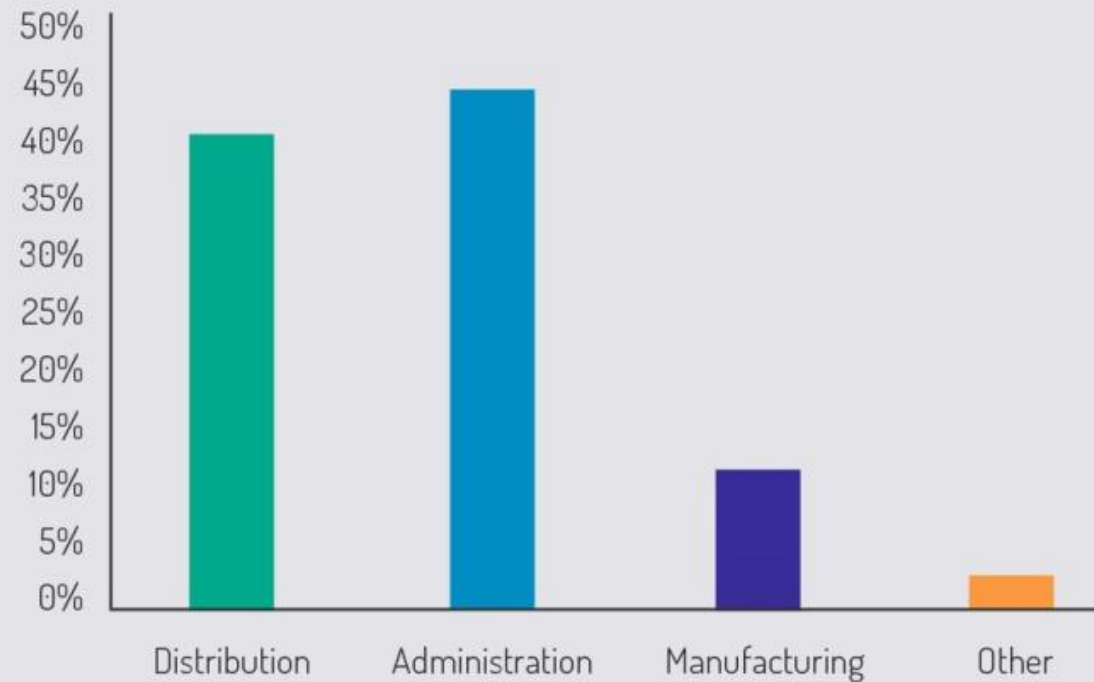
Technical difficulties

12. Based on asset managers' track record for technology implementation, do you think asset managers are good at adopting new technology?



Admin under threat

13. Which parts of the funds industry are most at risk of disruption by technology?



Tech firms are friends

14. Please rank the following company types in terms of their potential to be useful partners of asset managers

Company types	Ranking (yearly comparison 2017 and 2018)				
	1st	2nd	3rd	4th	5th
Technology companies (such as Google, Microsoft)	26%	27%	28%	14%	5%
	20%	29%	25%	19%	7%
Fund platforms (i.e. Allfunds, Cofunds)	35%	19%	17%	13%	16%
	48%	12%	11%	11%	18%
Online retailers (i.e. Alibaba, Amazon)	19%	29%	20%	18%	15%
	15%	21%	22%	23%	19%
New entities we don't know about yet	10%	12%	18%	26%	34%
	12%	18%	19%	19%	32%
Social media (i.e. Facebook, Twitter)	11%	14%	17%	29%	29%
	6%	20%	22%	27%	25%

Or maybe they're enemies?

15. Please rank the following company types in terms of their potential to disrupt asset managers' business models

Company types	Ranking (yearly comparison 2017 and 2018)					
	1st	2nd	3rd	4th	5th	6th
Technology companies (such as Google, Microsoft)	26%	24%	20%	18%	10%	2%
	27%	28%	19%	14%	5%	7%
Online retailers (ie. Alibaba, Amazon)	26%	28%	12%	13%	9%	12%
	22%	19%	21%	13%	14%	11%
New entities we don't know about yet	20%	11%	16%	17%	10%	26%
	20%	18%	12%	16%	12%	22%
Fund platforms (ie. Allfunds, Cofunds)	12%	15%	19%	18%	21%	15%
	17%	12%	13%	16%	23%	19%
Market infrastructures (such as Clearstream, etc)	5%	12%	18%	20%	25%	20%
	7%	9%	15%	20%	21%	28%
Social media (ie. Facebook, Twitter)	10%	10%	15%	14%	25%	26%
	7%	15%	18%	21%	25%	14%



“The competitive environment restricts collaboration across asset managers and the funds industry, therefore the ability to achieve standardisation against an ever-moving technology landscape is almost impossible.”

Banks top overall

16. Please rank the importance of these distribution channels in your country or region

Distribution channels	Ranking (yearly comparison 2017 and 2018)					
	1st	2nd	3rd	4th	5th	6th
Banks	39%	25%	11%	9%	10%	5%
	43%	18%	10%	14%	12%	3%
Fund platforms	21%	24%	24%	18%	10%	3%
	22%	22%	20%	17%	14%	5%
Insurers	10%	27%	25%	15%	13%	9%
	6%	23%	24%	22%	15%	10%
IFAs	17%	12%	21%	26%	15%	9%
	15%	23%	22%	18%	12%	10%
Direct-to-consumer	7%	7%	14%	20%	33%	19%
	10%	11%	15%	23%	27%	14%
New entrants to the market	6%	5%	6%	12%	18%	53%
	5%	2%	8%	7%	19%	59%

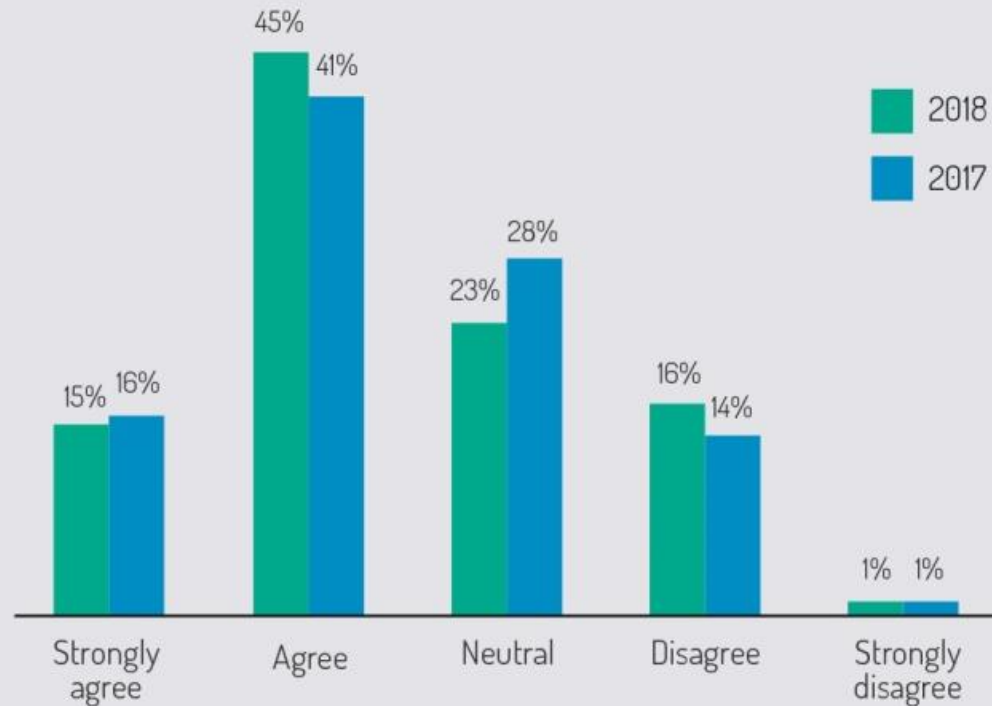
D2C tipped for growth

17. Please rank what you think will be the most important channels in ten years' time

Company types	Ranking (yearly comparison 2017 and 2018)					
	1st	2nd	3rd	4th	5th	6th
Direct-to-consumer	34%	18%	19%	8%	11%	10%
	34%	23%	12%	13%	11%	7%
Fund platforms	20%	27%	15%	18%	13%	7%
	20%	26%	25%	11%	11%	7%
New entrants to the market	23%	15%	16%	10%	11%	25%
	22%	12%	21%	11%	14%	20%
Banks	11%	19%	19%	23%	18%	10%
	13%	13%	20%	18%	21%	15%
IFAs	6%	12%	19%	21%	18%	24%
	8%	16%	15%	18%	15%	28%
Insurers	5%	10%	12%	20%	29%	24%
	3%	10%	7%	30%	27%	23%

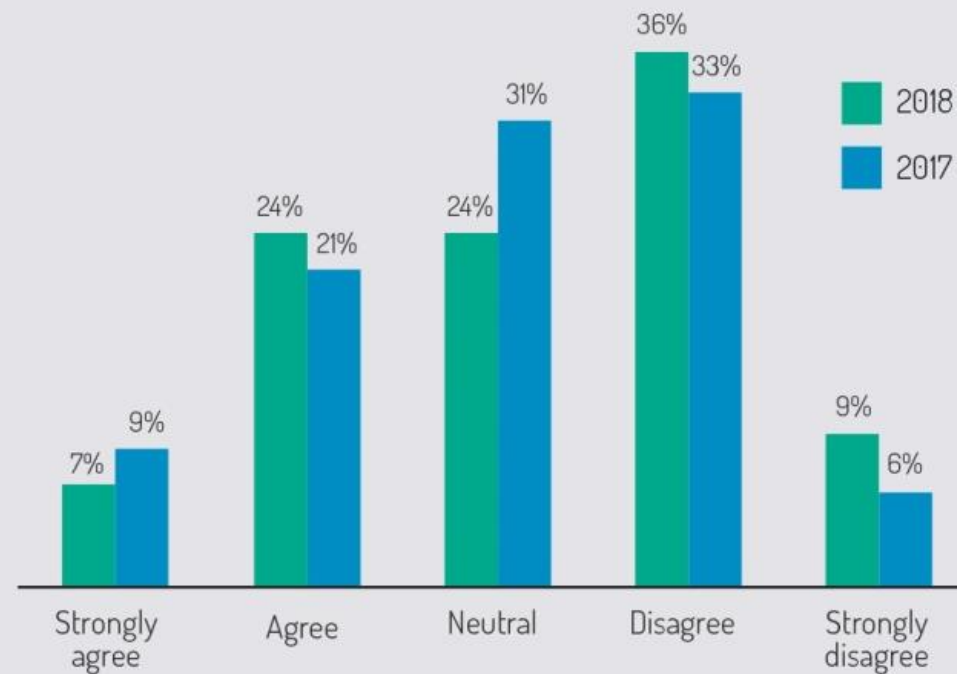
Passive shows promise

18. Passive funds, such as index funds and exchange-traded funds (ETFs), will take over from actively managed funds as the core investment product for mass retail customers.



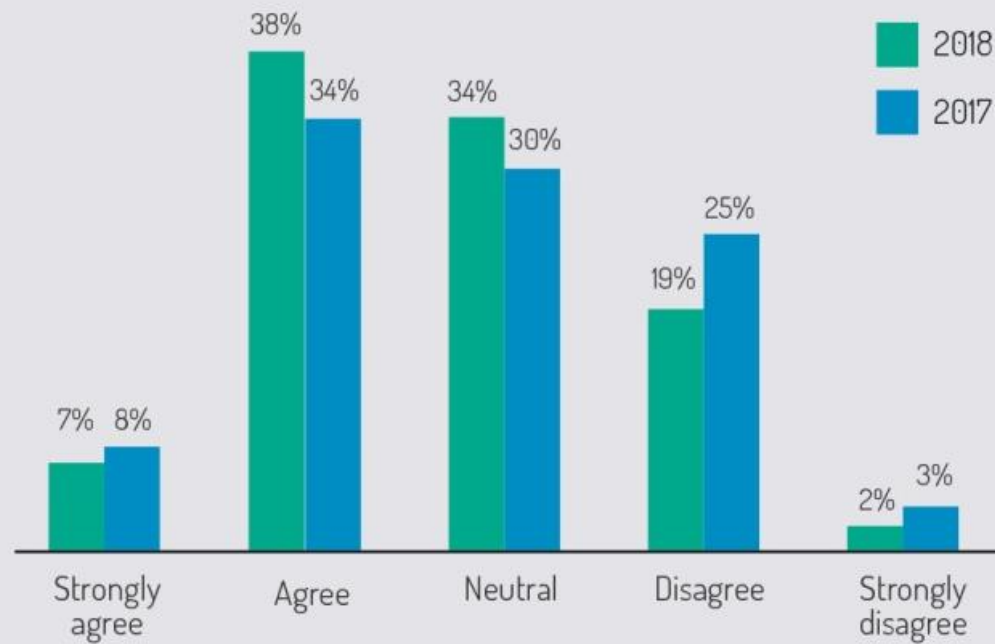
...but not for sophisticates

19. Passive funds, such as index funds and exchange-traded funds (ETFs), will take over from actively managed funds as the core investment product for sophisticated investors (institutions, wealth managers, high-net-worth individuals)



Robo splits opinion

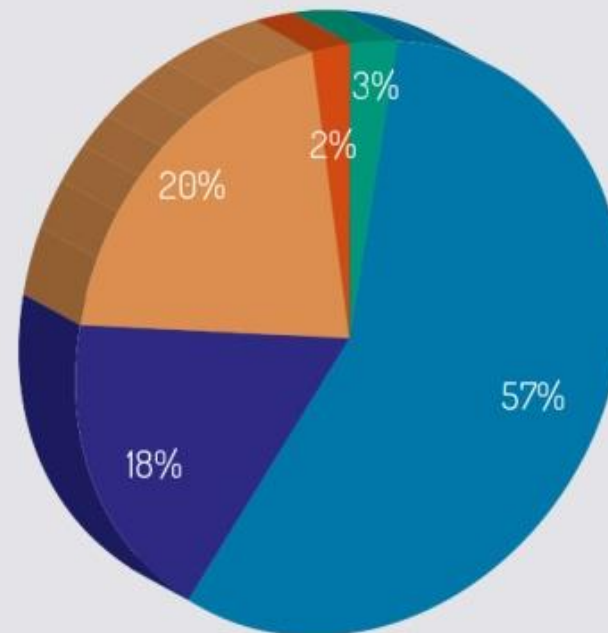
20. Robo-advisers will become the main distribution channel for raising assets from the mass retail market

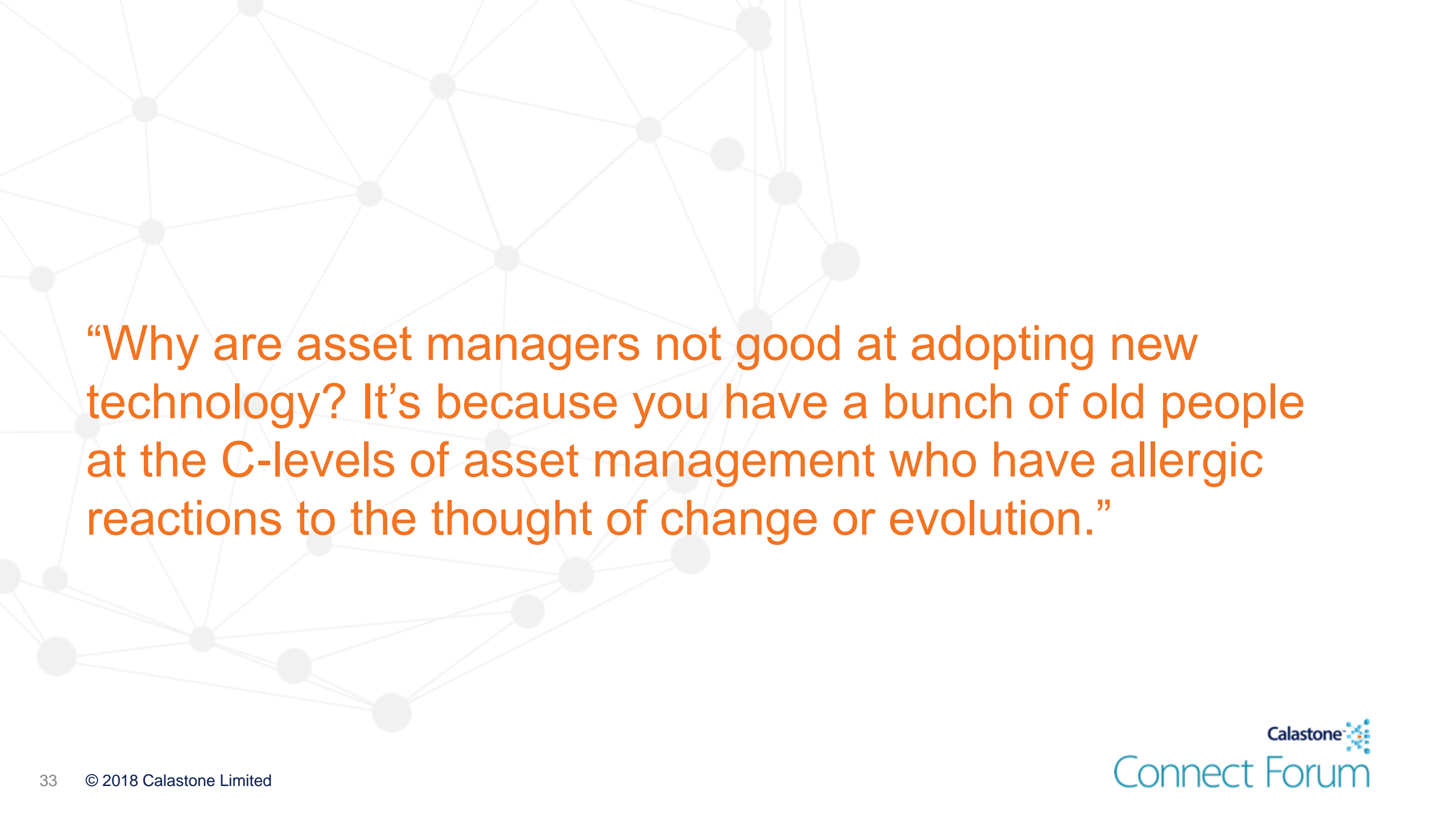


Watch out for new fees

21. Will there be a move away from the annual management charge to types of performance-based fees for standard mutual funds?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree



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“Why are asset managers not good at adopting new technology? It’s because you have a bunch of old people at the C-levels of asset management who have allergic reactions to the thought of change or evolution.”