Asset Servicing Times

FUND SERVICES MARKET GUIDE 2025

The Asset Servicing Times Fund Services Market Guide

As we approach 2025, the financial industry sees a wave of technological developments and increased digitisation impacting every facet of daily life. Never more so is this the case than in fund services, where AI, tokenisation, big data and enhanced analytics, are just some of the myriad advancements the market is seeing.

In this Asset Servicing Times Fund Services Market Guide 2025, we hear from a wealth of industry experts about some of the fundamental changes the industry is seeing. Looking at the private markets, JTC's Kobus Cronje takes us through the top five trends to watch out for in the coming year, while David Genn, CEO at Goji, highlights the technical revolution in the sector and potential operational pain points facing firms.

Elsewhere, Fabrice Silberzan of BNP Paribas' Securities Services looks at AI, and how it can be leveraged for the benefit of clients, while Pictet's Rob Lowe looks at some of the regulatory challenges facing fund administrators.

Alternatives get looked at in-depth, with Canoe Intelligence's Rob Calder asking the age-old question of buy versus build, while Benjamin Ayache of CACEIS's PERE division, highlights private debt as one of the fastest growing alternative asset classes and the specialist servicing requirements it demands.

These, of course, are just some of the key areas this Market Guide considers. 2024 has arguably seen a sea change in the industry, not just in the actual use of technology, but in the unlimited possibilities that now seem much closer to being implemented than ever before.

We can only look forward to 2025, and wait and see what it has in store for us.

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Contents

CCB launches fund services through Euroclear

China Construction Bank (CCB Asia) has launched investment fund services for custody clients through Euroclear FundsPlace.

The platform aims to streamline fund transaction processing and servicing, and will allow the redemption of international funds via a single point of entry.

The bank says this will better enable clients to access a broad network of mutual funds, money market funds and alternative funds.

The solution is also said to enhance CCB's (Asia) presence in Hong Kong and will facilitate clients' access to China markets through Stock Connect.

Global head of funds strategy and product expansion at Euroclear, Vincent Clause, comments: "Our collaboration with China Construction Bank (Asia) underscores our commitment to the region by providing leading edge technology to enhance efficiencies and streamline the complexities of the funds market, ultimately delivering simplicity and value for our clients." ■

Gen II Fund Services acquires Crestbridge

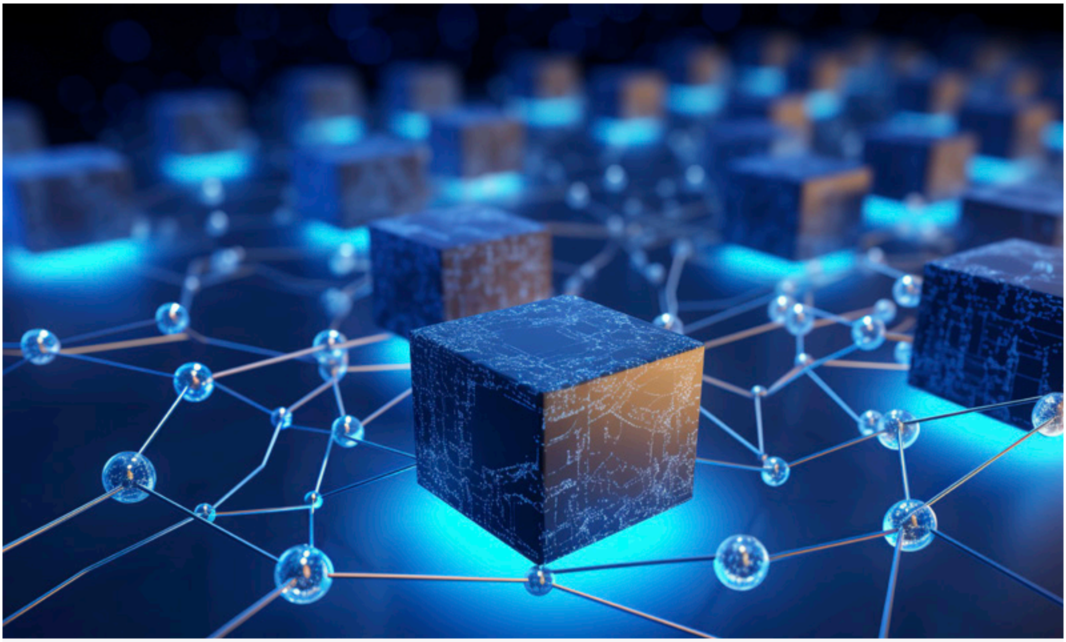
Fund administration provider Gen II Fund Services has acquired Crestbridge to expand its presence in Luxembourg.

The acquisition of the European private capital fund administration services provider, allows Gen II to add jurisdictional reach in the UK, Jersey, Ireland and international markets.

Steven Millner, CEO of Gen II, explains: "Blending Crestbridge's private equity and real estate fund administration businesses with our service offerings, provides our clients with many more options to support their success and growth."

Dean Hodcroft, former CEO of Crestbridge, has become Gen II's head of Europe.

Hodcroft says: "We look forward to empowering our unified teams to support international private fund managers through all stages of their fund lifecycles." ■



Proxymity and MUFG expand their partnership

Proxymity and MUFG Pension & Market Services (MPMS), a dominant administrator of financial ownership data and technology, have expanded their partnership to Australia.

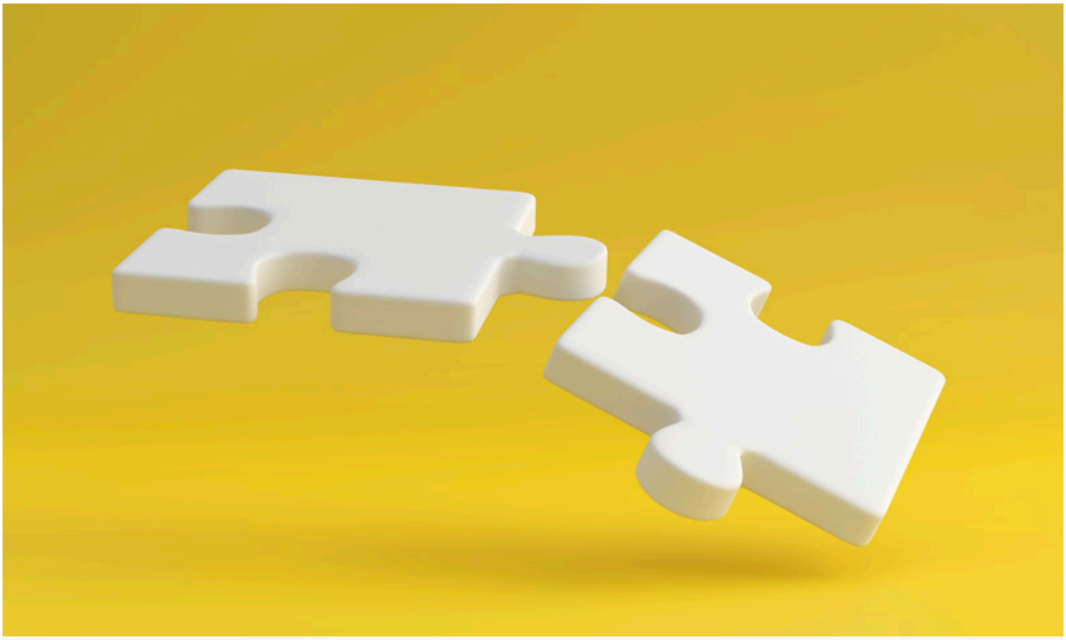
The expansion of the collaboration means that clients of MUFG Corporate Markets, a division of MUFG Pension & Market Services, can now receive custodial votes in Australia through Proxymity's digital-native platform allowing the delivery of AGM announcements and custodian votes electronically and more efficiently.

The enhanced speed of communication aims to give investors more time to research their vote, enabling voting right up to the meeting deadline, note the firms, leaving ample time for issuers and investors to communicate more effectively ahead of the meeting.

This partnership will enable all issuers who utilise MUFG Corporate Markets' registry services to receive custodian votes via Proxymity's platform.

Dean Little, co-founder and CEO of Proxymity, says: "MUFG Pension & Market Services' connection to the Proxymity platform will improve our client's ability to communicate effectively with their investors around the world, and is extremely important as issuers and investors navigate the challenges of today's world."

Lysa McKenna, CEO of MUFG Corporate Markets, adds: "This expansion of our partnership with Proxymity in Australia will further enhance our commitment to deliver innovative solutions for our clients. By partnering with Proxymity we are providing more streamlined communication between our clients and their institutional investors." ■



Canoe Intelligence collaborates with fundcraft

Canoe Intelligence has partnered with fundcraft with the aim of streamlining fund administration and improving operational efficiency for alternative asset managers throughout Europe.

The companies say, by integrating Canoe's proprietary AI-based technology into fundcraft's end-to-end fund operations platform, asset managers will benefit from seamless data integration with Canoe's open API for automated document management, enhanced data accuracy and transparency, and increased operational efficiency and productivity.

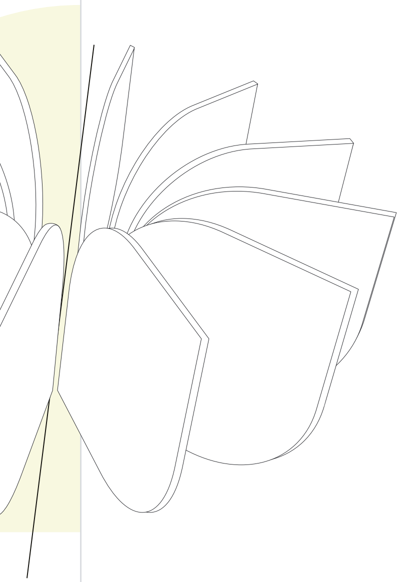
This integration will be particularly beneficial for fundcraft clients managing funds of funds on the platform, say the firms.

Clients will gain automatic access to documents from hundreds of LP portals, eliminating the time-consuming process of manual data extraction.

Canoe's system will automatically ingest, classify, and extract key financial data from documents before pushing the information directly into fundcraft's end-to-end operations platform.

Toby Bailey, VP of Sales EMEA at Canoe Intelligence, says: "Ensuring accurate, real-time data is seamlessly integrated into fund admin workflows is more crucial than ever. By combining Canoe's expertise in automating document and data management with fundcraft's comprehensive platform, we're making it easier for fund administrators to work smarter and focus on what matters most — driving value for their clients."

Victor Martin, chief technology officer at fundcraft, adds: "By integrating Canoe's AI capabilities with fundcraft's digital fund operations, we are setting a new standard for efficiency and accuracy in the industry." ■



CCB launches fund services through Euroclear

Maples Group has been named as the fund administration services provider for Raiven Capital's venture capital fund.

The fund, based in Toronto, California and a new office in Dubai, selected the fund administrator due to its presence in the Middle East.

Fred Tabbal, regional head of fund services for Middle East at Maples Group, comments: "With its youthful population, vibrant tech culture and prime location, Dubai is a nexus for innovation and financial investment from across the globe.

"With the launch of the fund, Raiven Capital, with origins in Canada, a footprint in Silicon Valley and a new presence in Dubai, speaks to the worldwide appeal of the Dubai International Financial Centre (DIFC) as a hub for tech finance."

Supreet Manchanda, Raiven Capital general partner and CEO, says: "Raiven Capital is delighted to partner with the Maples Group and has strong confidence in their Dubai-based team. The team has already brought invaluable insight and expertise in providing services to help us position the Fund for success." ■

IQ-EQ granted licence in the ADGM

IQ-EQ has been granted a licence to offer corporate services in the Abu Dhabi Global Market (ADGM).

The licence allows IQ-EQ to service fund and asset managers and corporate communities in the Middle East market.

Tariq Nakhooda, UAE country head for IQ-EQ, says: "Securing this corporate services licence underscores our commitment to Abu Dhabi's dynamic financial landscape. We're excited to further contribute to its growth and to strengthen our partnerships within this leading business hub."

Arvind Ramamurthy, chief market development officer for ADGM, comments: "[IQ-EQ's] new corporate services licence aligns with our strategic vision and reinforces ADGM's role as a gateway for international investors. IQ-EQ's commitment to expanding their services here will further enhance our vibrant ecosystem, allowing us to better meet the evolving needs of fund managers and corporate clients alike." ■

JTC to acquire Buck UK and Buck Share Plans

JTC has acquired Buck UK and the European Share Plan Administration and Trustee businesses (Buck Share Plans) from Arthur J. Gallagher & Co. The completion is subject to regulatory approvals.

The firm says the acquisition will complement and enhance JTC's existing Employer Solutions platform, which continues to deliver attractive growth for the group.

Buck Share Plans also aims to bring an existing book of high-quality, blue-chip clients, as well as an experienced, client-focused and committed team of 16 professionals based in the UK, Guernsey and Germany.

Nigel Le Quesne, CEO of JTC, says: "We believe that our passion for shared ownership, combined with the 25-year track record of our Employer Solutions business, continues to cement our position as a market leader. The JTC Employer Solutions business continues to grow strongly, and we are pleased to be able to further expand our employee share plan offering."

David Piltz, CEO of Gallagher's Benefits and HR Consulting Division, UK, comments: "From a Gallagher perspective, cultural fit was such an important factor in our decision to undertake this deal with JTC.

"It was crucial to us that our people and our clients would be moving to an organisation which shared Gallagher's values and focus on both exceptional client service and a collaborative, supportive and inclusive working environment." ■

HSBC receive China fund custody licence

HSBC China has received the domestic fund custody licence from the China Securities Regulatory Commission (CSRC).

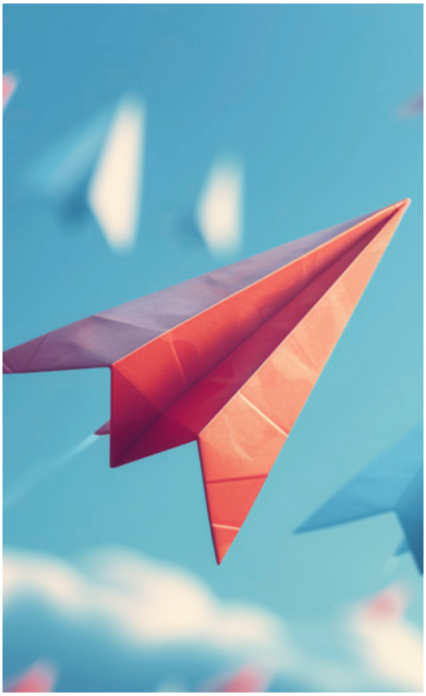
The licence allows HSBC to provide custody services to onshore funds offered by fund and asset managers domiciled in mainland China.

The bank can directly provide custody services to locally-domiciled mutual funds, private funds, and private asset management schemes.

Fiona Horsewill, global head of securities services at HSBC, says: "HSBC is pleased to have been granted this domestic fund custody licence which allows us to better serve cross-border custody demands using our global network and expertise.

“As a trusted service provider, we'll be working to further enhance our local products and services for the benefit of onshore fund managers as well as our international clients."

Mark Wang, president and CEO of HSBC China, adds: "The new licence marks another milestone in HSBC's business developments in China, enabling us to participate more deeply in the market's capital market opening and to assist overseas investors to be a part of the vast opportunities that arise." ■



JTC acquires Hanway

JTC has acquired professional services firm Hanway Advisory, in a move it says will strengthen its position in the UK market.

Hanway will provide outsourced corporate governance and administrative services to UK listed investment companies.

Nigel Le Quesne, CEO of JTC, says: “The team at Hanway bring with them vast experience and understanding of listed fund services which enhances our existing team, enabling us to deliver an even more compelling service to our UK listed clients.”

Hanway will become part of JTC’s Institutional Client Services division and is JTC’s second UK fund services acquisition in 2024, after the purchase of Blackheath Capital Management. ■

The Managed Funds Association welcomes new board of directors

The Managed Funds Association (MFA), an alternative asset management trade group, has welcomed its new board of directors. This will include its new chair Jody Gunderson, who is replacing current MFA chair Natalie Birrell, president of Anchorage Capital Group, managing principal at credit investment firm AB CarVal.

The association says the appointments come as the industry prepares for the threat of higher taxes and new regulation, and as the firm prepares for potential changes in federal agencies, including the US Securities and Exchange Commission.

A US appeals court overturned a major SEC rule in June, which imposed stricter oversight of private funds, in a fresh blow for chair Gary Gensler's agenda to boost transparency and stamp out conflicts of interest on Wall Street.

Gunderson says the industry group is "trying to game plan for the different scenarios that it will face" and how to "advance the industry's agenda".

"As we look ahead to 2025, we're obviously going to be navigating a presidential election and a new Congress, and that will certainly have an impact on our advocacy tactics," says Brian Corbett, MFA's CEO. ■

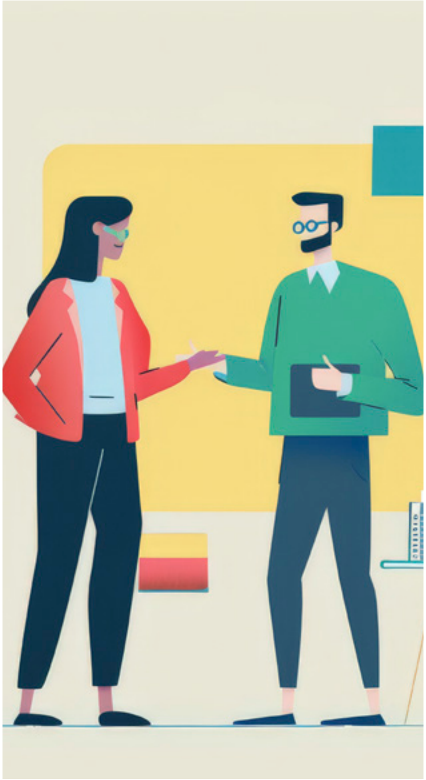
LBBW partners with Clearstream

Landesbank Baden-Württemberg (LBBW), the bank of the German federal state of Baden-Württemberg, has selected Clearstream to enhance its fund distribution support activities.

Through Clearstream's Fund Centre distribution platform, LBBW aims to streamline processes across its distribution support and commission and contract management services. This partnership will help LBBW to focus on core capabilities and support its growth and expansion, note the firms.

Neil Wise, CCO of Clearstream Fund Services, comments: "This collaboration is a testament to the long-standing trust and cooperation between our companies. With Clearstream's comprehensive one-stop shop for investment funds, we ensure streamlined, efficient, and secure processing and distribution services for all fund types. We look forward to providing LBBW with a complete and scalable funds solution, which will add value for both LBBW and the asset managers."

Matthias Heuser, divisional board member Operations and Process Management for LBBW, adds: "Using Clearstream Fund Centre platform will help us to optimise our distribution processes as well as to simplify the Know Your Distributor (KYD) compliance processes. We are convinced that all parties will benefit from our move to bundle the bilateral agreements that we have now put in place." ■

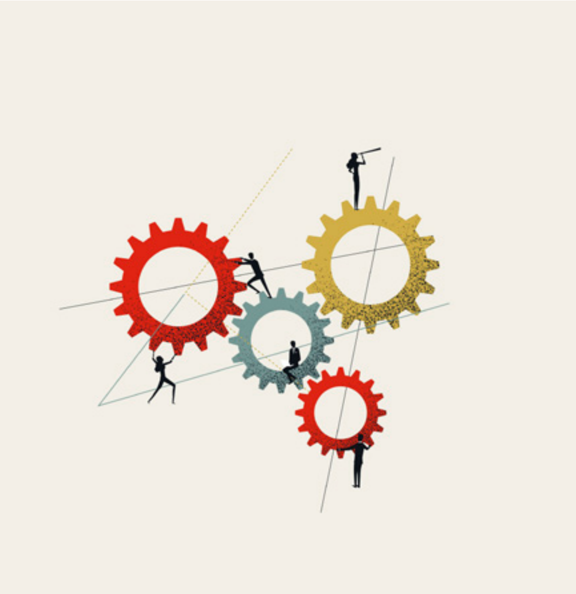


Ultimus collaborates with PlanRock

Ultimus Fund Solutions has partnered with PlanRock Investment Management to assist the firm in successfully launching its first two actively managed exchange traded funds (ETFs).

PlanRock enlisted Ultimus as fund administrator with an aim to help expedite the launch process and expand its product offerings to investors.

Ultimus provided PlanRock with a turnkey solution, supporting the fund launches with comprehensive project management skills, access to an established series trust, and a hands-on, experienced team of industry professionals. ■



Palmer partners with Entrilia

Palmer, a fund administration firm for private capital markets, has partnered with Entrilia to use its technology platform.

Through the collaboration, Palmer aims to redefine what is possible in a tech-first fund administration model.

By working closely with Palmer, Entrilia aims to deliver a "future-proof" solution that will meet the needs of today and "set the foundation for what fund administration can become tomorrow".

Martin Schnaier, CEO of Palmer, comments: "As a new business, we believe that our partnership with next generation technology providers is critical to delivering our vision of being the new standard in private capital administration.

"We benefit from more efficient operational processes and real-time data-driven analytics to support enhanced internal and client decision-making." ■

The University of Sydney endowment fund selects BNP Paribas

BNP Paribas' Securities Services business has been selected by the University of Sydney Endowment Fund to provide custody and fund administration services.

The University of Sydney endowment fund sought a new provider following the withdrawal of National Asset Servicing (National Australia Bank's custody arm) from the Australian market.

The University of Sydney has been operating an endowment fund since 1997, with AU$4.4 billion currently in assets under management).

The endowment fund operates a long, medium and short-term fund, and invests across a range of domestic and global asset classes, listed and unlisted, public and private. ■

Unlocking opportunities

A tech-based revolution

David Genn, CEO at Goji, Euroclear group, looks at the operational pain points affecting private markets and discusses how technology has the potential to address inefficiencies and drive growth

Private markets are no longer a niche reserved for the world's largest institutions. In recent years, they have surged into the mainstream, propelled by a rising tide of interest from private wealth investors building diversified portfolios. Preqin's latest figures project global assets under management (AUM) for alternative funds will reach US$29.22 trillion by the end of 2029, up from US$16.78 trillion in 2023.

While this growth presents a wealth of opportunities for asset managers and fund administrators, it is not without its challenges. As the private markets space expands, it becomes increasingly clear that there is an over-reliance on manual processes and legacy systems and a lack of industry-wide standardisation. These challenges create bottlenecks that impede future growth.

Technology, with its potential to digitise, connect, and scale, is paving the way for a more accessible and efficient market. At Goji, we understand the pain points that affect the industry and are committed to driving technological innovation and efficiency as a result.

Our platform offers a streamlined end-to-end journey for private market funds, including digitised investor onboarding, compliance, subscriptions, capital calls, distributions and reporting. By automating every step of the process, our technology alleviates the burden of manual operations, allowing asset managers and fund administrators to prioritise strategic expansion over routine administration.

Moreover, as part of the Euroclear group, we have integrated our advanced technology with Euroclear's global infrastructure. By doing so, we are helping to create a connected network for alternative funds, unlocking growth and efficiency for our clients.

Operational pain points

Legacy systems and manual processes

Private markets have grown, but the infrastructure supporting them has not kept pace. The alternative asset sector remains highly fragmented and reliant on outdated, labour-intensive processes. From investor onboarding and know-your-customer (KYC) and anti-money laundering (AML) compliance, to capital

“Every subscription requires manual verification and processing, which is time consuming and has a high risk for errors”

calls and distributions, many fund administrators are still hindered by manual paperwork and cumbersome data management. This approach is not just slow, it is error-prone and costly, leading to inefficiencies that impact the entire investment lifecycle. For asset managers, these inefficiencies translate into higher costs, slower processes and a poor experience for investors entering their funds.

With rapidly growing investor volumes, operational inefficiencies are exacerbated. Fund administrators and asset managers are struggling to close the widening gap between investor expectations and operational reality. A digitised investment journey is no longer optional — it is a necessity to stay ahead of growing demand.

Lack of standardisation

The absence of homogenised, industry-wide market infrastructure for alternative funds makes it difficult for market participants to operate efficiently at scale. Without seamless connectivity and straight-through processing, asset managers and fund administrators face bottlenecks that limit their ability to handle a greater number of investors or expand to new regions.

Private market funds, unlike their public counterparts, often feature complex structures with tailored transactions. The absence of standardisation across the industry means that each asset manager must navigate bespoke requirements, further complicating investor onboarding and capital events.

For fund administrators, this lack of uniformity adds layers of complexity. Every subscription requires manual verification and processing, which is time consuming and has a high risk for errors.

Redemption processes, similarly, can be bogged down by administrative burden, delaying payouts to investors and undermining client experience.

Without a scalable, digitised approach, the industry will struggle to meet the demands of an expanding investor base. Moreover, for both asset managers and fund administrators, there is a lack of global connectivity, making outreach and relationship-building a strenuous process.

With a globally connected network for alternative funds, market participants can meet and transact at scale via a standardised market infrastructure with straight-through processing.

Transforming private markets with advanced technology

The key to overcoming operational inefficiencies lies in three main pillars: digitisation, connectivity and scalability. This is where we see Goji playing a pivotal role.

Digitisation

Technology has the power to elevate archaic processes into efficient, automated workflows. By digitising investor onboarding, subscription agreements and capital events, fund administrators can dramatically reduce the time and effort required for administrative tasks.

This shift also enhances the investor experience, as private wealth clients increasingly expect seamless, digital-first services akin to those offered by mainstream investment platforms. Automation not only eliminates errors but also allows asset managers to handle higher volumes without sacrificing quality. Our technology digitises every stage of the investment process. For asset managers and fund administrators, this means replacing manual, paper-based workflows with a streamlined, automated experience. Configurable forms and automatic document requests driven by KYC policies ensure adherence to increasing compliance requirements and enhance the investor experience.

Reusable investor information and robust data export capabilities allow our clients to integrate seamlessly with their existing systems. Subscription management tools including DocuSign integration and built-in validations streamline workflows and reduce errors. Additionally, comprehensive reporting capabilities allow users to monitor performance and visualise fund metrics.

Yegor Lanovenko, global co-head of fund services at Ocorian says, "Digitalising engagement and data capture between investors, managers and asset servicers is critical to handling the complexity of private markets at scale and eliminating manual touchpoints in historically operationally burdensome processes. By partnering with Goji, we can offer clients a single solution combining digital subscription documents, KYC, AML, and an investor portal which unifies investor data and management."

Fund administrators such as Ocorian can benefit from centralised data management and automated monitoring, which reduces operational overhead and compliance risk, enabling them to focus on high-value activities and client service. Asset managers can accelerate fundraising and focus on strategic initiatives by simplifying onboarding and compliance, therefore unlocking new capital-raising opportunities and expanding their investor base.

"The integration of our platform technology with Euroclear's global market infrastructure links our clients with Euroclear's FundSettle platform and its network of more than 3,000 distributors"

Connectivity

By connecting asset managers, distributors and fund administrators through unified platforms, relationship management and fund distribution can be simplified. Instead of relying on disparate systems or fragmented databases, a connected infrastructure enables seamless data sharing and collaboration.

The integration of our platform technology with Euroclear's global market infrastructure links our clients with Euroclear's FundSettle platform and its network of more than 3,000 distributors, including custodians, private banks, wealth managers and family offices.

This network facilitates the distribution of alternative funds on a broader scale, providing asset managers with access to new markets and streamlining the process of building distribution relationships.

Scalability

Efficient digital processes and a connected ecosystem mean market participants can transact at scale, whether it is onboarding thousands of new investors or executing complex capital calls across multiple funds. Scalability is a necessity, especially as private markets become increasingly global and investor volumes rise.

At Goji, we provide a platform that offers the flexibility asset managers and fund administrators need to adapt quickly to market demands. As a result, they can scale their services in line with the increasing appetite for private market allocations.

Technology as the catalyst for future expansion

The growth of private markets is an exciting chapter in the financial industry's evolution.

Yet, without addressing scalability and operational inefficiencies, the sector risks stagnation.

Technology holds the key to unlocking the true potential of private markets.

By digitising processes, enhancing connectivity, and enabling scalability, it paves the way for a more accessible and efficient future.

At Goji, we are helping to drive this technological shift with support from Euroclear's infrastructure.

Looking ahead, the path to scaling alternative and private markets is clear: embrace innovation and dismantle the barriers that have long held this sector back. ■

Service and distribute private funds at scale

Enhanced **scalability** for fund managers and fund administrators through efficient digital processes and a connected ecosystem.

A fully **digitised** journey for private funds including investor onboarding, KYC/AML, subscriptions, capital calls and reporting.

Connectivity with a global network of 3,000+ distributors.

Leveraging AI to the benefit of clients' performance

Fabrice Silberzan, head of Industrial Transformation for BNP Paribas' Securities Services business, talks about how the company's gradual integration of artificial intelligence and large language models will help benefit its clients

How is BNP Paribas integrating AI to transform its Securities Services business and enhance its offering for clients?

Our Securities Services business originated from the concept of dematerialisation. Consequently, it has primarily been built around digital processes, continually striving for automation. Through technology and our engineering expertise, we can handle increasing volumes while enhancing client services. This allows our teams to focus their expertise and knowledge on meaningful client interactions rather than on repetitive manual tasks. For us, the use of artificial intelligence (AI) represents a further advancement in this automation journey.

Given that some of the fundamental aspects of AI have been around for quite some time, what do you think is driving the current momentum and increased use?

Our initial journey with AI began several years ago. Since then, we have developed various AI-based tools that detect anomalies, verify or automate manual inputs, and address other use cases. These tools are now integrated into our operational framework. Furthermore, generative AI is opening new areas of application. This advanced form of AI excels in 'reading' and 'writing' tasks, enabling significant efficiency gains in activities such as processing clients' requests and instructions.

What are some of the issues you face integrating AI into your systems? Are there any significant challenges?

Regarding our existing operational platforms, we use AI to complement our traditional business rules. This allows us to advance further in automation and enhance our control capabilities comprehensively. For our clients, this translates to even more reliable and faster interactions. Additionally, AI enables us to transform unstructured information into data that seamlessly integrates with our processing systems.

Beyond our investments in AI-related technology — in tooling, expertise, and computing capacity — we continue to work on making our traditional systems more open. This openness is crucial for effectively integrating and interacting with AI models.

"These technologies will be crucial drivers of transformation in these areas. Many use cases are being developed, ranging from the analysis of prospectuses and information notices to subsequent controls, valuation, and payments"

However, these techniques come with inherent risks, particularly concerning data protection and AI model control. These risks are expected and we continue to manage them diligently.

Given this backdrop, how are you approaching data management and its relation with AI?

Effective data governance is essential for the success of AI projects. Alongside our AI initiatives, we continue to invest heavily in this area. The advanced research capabilities enabled by AI also allow us to offer our clients easier access to our knowledge base and information systems.

As part of this effort, we have developed NOA, a virtual agent that uses traditional AI techniques, which is available to clients through the latest generation of our NeoLink client portal. We will continue to prioritise these efforts, focusing on information accessibility and increasingly seamless digital experiences.

How do you assess the growing need for new resources and additional partnerships in continuing to develop these technologies?

We benefit from the investment power of the BNP Paribas Group and its partnerships, such as the recent agreement with Mistral AI.

Given the cost of accessing these technologies, we continue to deploy them in a controlled and rigorous manner. In addition, as these technologies require powerful computing engines, we aim to optimise the size of the models used, which is particularly crucial for the large language models (LLMs) of generative AI.

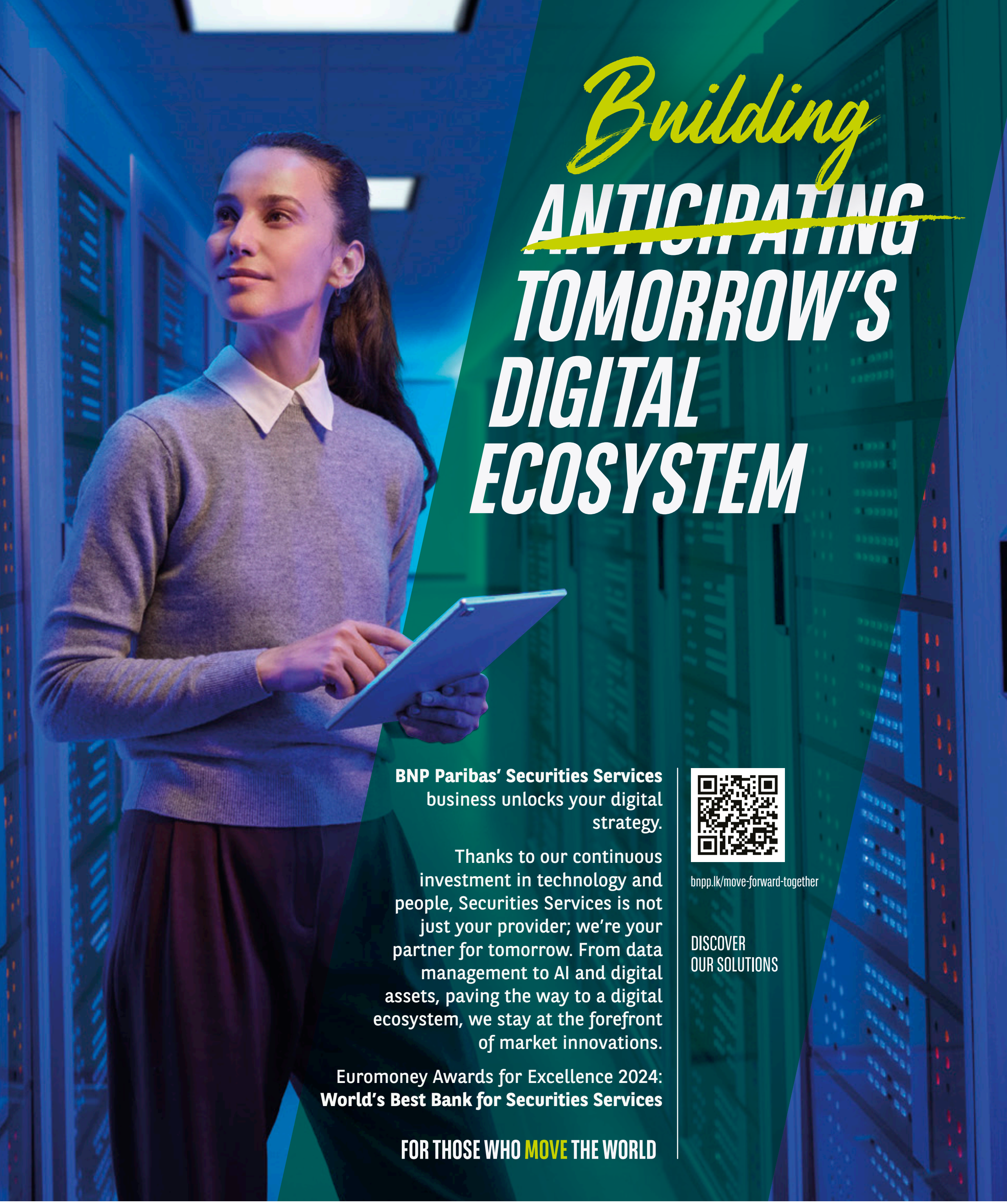
Which role may AI serve in the growing arena of unlisted assets?

The universe of funds, particularly debt funds and unlisted assets, is largely unstandardised. AI, and generative AI are well-suited to this context.

These technologies will be crucial drivers of transformation in these areas. Many use cases are being developed, ranging from the analysis of prospectuses and information notices to subsequent controls, valuation, and payments — some of which are already in production for our Securities Services business.

In conclusion, AI, encompassing generative AI and large language models, is increasingly becoming integral to our processes and services.

We are confident that the progression of AI aligns perfectly with our primary goal of providing our clients with superior quality, control, and competitiveness. ■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DISCOVER OUR SOLUTIONS

Private markets

The top five trends to watch for in 2025

Kobus Cronje, managing director, Guernsey at JTC, looks the growing trends set to impact asset servicing and the private markets in the coming year

Market Trends

A return to health for fundraising, a surging secondaries market, increasing retailisation, and the growing importance of digitalisation, are just some of the trends that are going to shape private markets and asset servicing in 2025.

Better fundraising conditions, but big managers will win the most wallet share

Expect a more stable fundraising environment in 2025, although it will be the big, established general partners (GPs) who stand to benefit the most.

Private market fundraising this year has been challenging, owing to the ongoing high interest rates, market volatility and geopolitical tensions. While private debt and real estate suffered a slight drop in fundraising, a McKinsey report shows private equity and infrastructure accumulated US$366 billion and US$51 billion respectively in the first half of 2024.

Although private equity is doing well, McKinsey noted that the industry's fundraising is still 20 per cent shy of its 2021 peak — although that was an exceptional year.

Despite the lingering macro headwinds, the good news is that interest rates are steadily falling and the recent elections in the US and the UK have ended months of political uncertainty and speculation. This can only be a positive development for private market fundraising as we move into 2025.

In line with recent trends, the flight to size by Limited Partners (LPs) is expected to persist. The McKinsey report highlighted that the top 10 private equity funds accounted for more than 35 per cent of the aggregate capital raised so far in 2024, which is 10 per cent higher than the average of the past five years.

With investors becoming more risk-averse and less willing to bet on smaller GPs, allocations to the so-called mega managers are only going to move in one direction in 2025.

No let off in the secondaries market

The secondaries market has boomed in 2024, and we anticipate the same will continue in 2025. Experts estimate the volume of secondaries transactions to be somewhere between US$68 billion and US$72 billion for the first half of 2024.

With activity typically quieter in H1, the total value for secondaries transactions could hit anywhere between US$137-142 billion by year-end — a new record.

This beats the previous record of US$123 billion set in 2021, and is significantly higher than 2023's figures, when total deal volumes stood at US$114 billion.

The secondaries market has been buoyant due to several factors, but mainly because of the stabilising global economy, a public market bounce-back and a challenging exit environment, caused in part by the mounting pressure on valuations.

As a result, we are seeing a lot of existing LPs — especially pension funds — who may have previously overallocated to private equity, offloading their holdings to realise liquidity.

This has created a ripe opportunity for other investors to buy-up high quality assets, often at steep discounts.

With market dynamics playing out as they are, it is entirely possible 2025 could be another record-breaking year for secondaries.

Retailisation will change the face of private markets

Retail investors show no sign of losing their appetite for private market strategies, while managers are also doubling down on their efforts to diversify their underlying client base, beyond traditional institutions.

This is only expected to accelerate in 2025.

Managers realise that retail investors are an untapped source of potential capital. According to Bain & Company calculations, worldwide assets total US$275-295 trillion, and half of it is in the hands of retail investors. Yet these allocators account for just 16 per cent of the assets under management (AUM) controlled by alternative investment funds.

For retail investors, private markets can provide them with lucrative returns, at least when benchmarked against traditional assets. For instance, data from KKR shows that the Global PE Index has outperformed the MSCI World Index by more than 500 basis points annualised on a net basis over the last 25 years.

These compelling returns are fuelling retail investor demand for new semi-liquid fund structures. Unlike the traditional private equity or private debt models, a semi-liquid fund is open ended and offers more generous redemption terms to clients.

As such, it is highly likely that products such as the EU's European Long Term Investment Fund (ELTIF) and the UK's Long Term Asset Fund (LTAF) will experience significant growth in 2025. In fact, this is already happening, with ELTIFs currently looking after €13.6 billion, up from €2.4 billion in 2021, and optimists are now forecasting AUM could skyrocket to €35 billion by 2026 or even €50 billion by 2028.

Tokenisation – the next big thing

Tokenisation in private markets will be another area of focus in 2025. Whereas the idea of tokenising publicly traded securities has fallen flat (mainly because public markets are already quite efficient), private markets are an altogether different story. There are several reasons for this.

As tokenisation allows for asset fractionalisation, the minimum thresholds for investing into private market funds would be much reduced.

This could lead to a wider mix of investors, such as high net worths, wealthy individuals and wealth managers, accessing private market funds and thereby driving up liquidity.

Tokenisation can also facilitate operational and transparency benefits in private markets. Smart contracts, for example, could enable better automation in the fund buying and selling process, removing the need for intermediation and manual processing.

Transparency might also be improved as transactions are recorded on a distributed ledger, often in real-time, giving investors (and regulators) better visibility into what is happening during the fund lifecycle.

A handful of providers have conducted proofs of concept (POC) exploring the tokenisation of private market funds, and such experiments will undoubtedly continue in 2025. However, expectations do need to be managed. A few years ago, a leading consultancy and a digital exchange for private markets predicted that tokenised private assets would reach US$16.1 trillion by 2030.

While this forecast seems a bit outlandish now, the market will still see positive growth in 2025, albeit less dramatic.

Towards a digital asset servicer

As private markets evolve, so too will asset servicers, and this shows no sign of letting up in 2025.

With managers running more complex strategies and increasingly winning retail mandates, fund administrators need to be capable of supporting multiple asset classes whilst also having sufficiently scalable infrastructure and technology stacks to help managers meet the reporting requirements of thousands of retail clients.

This is a huge challenge, as retail investors — many of whom are used to buying goods and services online in real-time — have high standards when it comes to all things digital, so managers and their asset servicers will need to adapt.

"As private markets evolve, so too will asset servicers, and this shows no sign of letting up in 2025"

For asset services, this will mean leveraging disruptive technologies, such as artificial intelligence (AI) and robotic process automation (RPA) software.

JTC, for example, pilots the use of AI and RPA technologies to automate a number of existing processes, including reporting and back office administration, a move that is accelerating operational efficiencies not just at our own business, but also at our asset manager clients and their end investors. ■

Kobus Cronje
Managing director, Guernsey
JTC

Setting sights on new horizons

Pictet Asset Services' Claude Pech and Rob Lowe, sit down to discuss regulatory challenges, client expectations, and the firm's future global strategy with Asset Servicing Times

What are the key trends you have been identifying in the fund administration space in Switzerland and Europe as a whole?

All market participants have been, largely, on a journey together over the last decade or so.

The recurring themes of regulation, cost efficiencies, consolidation and mergers, outsourcing and offshoring have all played a significant part in business considerations and continue to grab headlines while consuming executives' time.

Pictet's focus is on managing and maintaining each aspect of the value chain, removing the need for large outsourcing, or offshoring monitoring. This enables us to meet client expectations where our focus continues to be on our one-stop shop offering for European funds offering depository, fund administration, and as well as management, and Accredited Fiduciary Investment Manager (AIFM) services.

In Switzerland, we have been actively supporting the roll-out of the Limited Qualified Investor Fund (L-QIF) product, the key domestic regulatory change to have been rolled out over the past 18 months.

Two themes that we have monitored closely are the impact of T+1 on the other side of the Atlantic, with the inevitability of future changes to legislation in Europe —

"Fund administrators with expertise in cross-border operations can seize opportunities in serving international clients"

Claude Pech

Deputy CEO, global head of Business Development and Client Relationship Management

Pictet Asset Services

and also the growth of private debt, real estate, private equity, hedge funds, and other alternative investments as part of fund managers product suite, both of which we support as fund administrators.

What are the regulatory challenges and opportunities facing fund administrators?

As regulatory requirements become more complex, we, as trusted partners, can provide valuable assistance to clients navigating and complying with these regulations. This includes offering expertise in regulatory reporting, data protection, and anti-money laundering (AML) compliance.

The European fund industry operates across multiple jurisdictions, and fund administrators with expertise in cross-border operations can seize opportunities in serving international clients. By understanding the regulatory requirements of different jurisdictions and offering tailored solutions, administrators can attract clients looking to expand their investment activities across borders.

ESG is a worthy mention here as it is largely fragmented across different regulatory agendas worldwide. The ongoing debate about ESG's place in the market is healthy, particularly as some participants are showing ESG fatigue and are moving products into more generalised sustainable solutions.

In Europe, we believe the EU's Sustainable Finance Disclosure Regulation (SFDR) is on the right path, enabling investors the choice of Article 6, 8, or 9 investments, and we would favour greater standardisation across markets in the years to come.

Supporting product launches is an important step to aligning investor outcomes by ensuring compliance with best practice. Reporting is also key, and Pictet has a powerful set of qualitative analytics overlaid with a human interrogation of key datasets, which provides much-needed transparency to each investment strategy.

What steps are you taking to meet or exceed evolving client expectations of European fund administrators?

Digital transformation has had a profound impact on the financial industry, revolutionising how businesses operate and how individuals manage their finances.

By embracing technologies such as robotic process automation (RPA), generative artificial intelligence (AI), and machine learning, Pictet has been able to streamline processes, reduce manual tasks, and enhance overall efficiency. We are on the cusp of an AI revolution that will further transform the industry, and fund administrators will not be excluded from these changes.

For now, our view is that AI is on a different pace of transformational change compared to the promise of blockchain technologies, which grabbed headlines over the last five years. That said, we continue to monitor the opportunities that blockchain can have, which are far-reaching for the funds industry.

One of the major advantages of digital transformation in the financial industry is the automation of repetitive tasks.

Ultimately, we see this improvement to operational efficiency as a positive to our clients’ experience.

Individuals now have access to digital banking platforms, further enabling convenient financial transactions, real-time access to account information, and more personalised experiences.

The jury is still out on the future of undertaking for collective investment in transferable securities (UCITS) products, given the ascent of passive investments and active ETFs pushing boundaries on real-time valuations and investment solutions.

Pictet will continue to monitor and embrace these opportunities within our fund administration businesses with our priority on client experience.

“The jury is still out on the future of undertaking for collective investment in transferable securities products”

Rob Lowe

Market head UK

Pictet Asset Services

Fund Administration

What are some of Pictet's long-term strategy growth objectives from a global perspective? What are your ambitions in the United Kingdom?

Our corporate purpose at a group level is to be an independent investment partnership known for our long-term mindset, responsible approach to business, and entrepreneurial spirit. These principles have defined us since 1805. For our clients, colleagues, and wider society, we always aim to do the right thing and honour our commitment to enduring quality. For Pictet Asset Services specifically, the focus is on continuing to provide high-quality, agile, and client-centred asset services. We aim to grow organically, differentiating ourselves from industry giants by focusing on service quality and flexibility, ensuring a responsive and adaptable approach to meet the changing needs of clients and market conditions.

In the UK, we have a clear strategy to continue and extend our partnerships with boutique active investment managers. We aim to cement our position as the provider of choice for UK wealth managers for segregated custody mandates, which is an industry that continues to excel against the backdrop of political change, mergers and acquisitions, and price pressures.

Naturally, we are monitoring the markets' reaction to the changes in tax legislation, especially the non-dom status for individuals that was recently ratified by the new Labour government.

How does the UK market differ from your other markets? How are you adapting to serve UK clients?

The UK continues to be a highly sophisticated and competitive marketplace, and is often the canary in the coal mine for regulation and expectations of client service. With Brexit in the rearview mirror, top-tier managers have responded well to ensuring the continuation of service for European fund products.

UK private banks, wealth managers, and multi-family offices (MFOs) are an important backbone of the industry. Private banks had a combined £407 billion of assets at the end of 2023 and managed about 524,000 accounts, roughly half the 1mn accounts managed by full-service wealth managers according to a *Financial Times* report.

Pictet continues to participate and directly support both sides of this equation with best-in-class services, fitting in with the industry's expectations.

Pictet has a UK relationship management team, which we continue to invest in, and who directly support MFOs and fund managers. Proximity to clients, especially in the context of chatbots, automated services, and call centres, continues to be a key factor in our success.

What do you see in the future for the industry and where is the industry heading?

The biggest theme is digital transformation as we have covered, but the market will always be led by a human touch. All EU, Swiss, and UK market participants have a vested interest in promoting and succeeding in meeting investor needs. Retaining and nurturing industry talent is, in our view, critical to delivering Pictet's own ambitions and continued client satisfaction.

The great wealth transfer over this next generation will have a significant impact on the market. Cerulli projects that wealth transferred through 2045 will total US$84.4 trillion. Of these, US$72.6 trillion in assets will be transferred to heirs, while US$11.9 trillion will be donated to charities. Greater than US$53 trillion will be transferred from households in the baby boomer generation, representing 63 per cent of all transfers.

Next-generation digital natives will expect the industry to evolve, and AI, we expect, will be a key pillar in providing solutions to those inheriting wealth and managing assets based on their personal convictions over the coming decades. ■

Buy vs build

Navigating the hidden costs of building alts data extraction tech

In the increasingly complex world of data management in the alternatives space, data extraction is arguably more important than ever. Rob Calder, enterprise sales executive at Canoe Intelligence, considers the benefits of third-party solutions over in-house

For any investor, precision and efficiency in data management are paramount. For alternative investors, the complexity of these assets and the lack of established standards make that precision and efficiency feel nearly impossible to attain, especially without the support of a technology solution.

Financial institutions navigating the intricate alts landscape often face the dilemma of whether to build an in-house solution or invest in an established technology like Canoe Intelligence. While the allure of total customisation may tempt some institutions to embark on the do-it-yourself (DIY) route, the hidden costs and risks associated with building an in-house solution are vast. While they may not offer the same level of tailoring, technologies designed for this purpose are already years ahead in terms of features and expertise — and will continue to be.

In the midst of the current artificial intelligence (AI) revolution, the promise of new generative AI tools is absolutely enticing. It is easy to believe a firm can leverage this tech to build its solution in-house, but not every challenge is suited for an AI solution. Other examples, like data extraction technology, are ideal use cases for AI but are also very difficult to build.

An ideal example

Using extraction as an example scenario, one can explore how and why an AI-based solution works to solve this challenge faced by alternative investors. It is no secret that alts funds are nuanced nor that different general partners (GPs) report differently — one data field can mean something entirely different between two different firms.

Some specifics that make this type of technology build complicated:

- **Mapping extraction rules:** It is a complex, time-consuming undertaking to map out extraction rules for each new type of report. Given the lack of industry standards, it is highly likely that this extraction mapping continues to take place for each new alts fund a team invests in.

- **Relationship-dependent reporting processes:** For each new GP the firm engages with, the team will potentially need to learn a new reporting structure and develop a new workflow to manage. With each new relationship, this need is likely to reappear, meaning the new fund onboarding process can never truly scale.

- **Closed-ended dataset:** The true value of AI is found in the underlying model, and the model is ultimately dependent on its training data. If a firm's extraction model is based solely on historical inputs from its own dataset, its potential will be limited by those inputs.

Where standardisation is lacking, industry expertise currently makes up the difference. However, without bringing AI into the equation, the expertise and efficiency that one person (or department) can manage has an upper limit. Thus, machine learning is paramount to scale data extraction from alternatives. A model can ingest the years of data history, built from thousands or millions of documents ingested, then synthesise and apply the learnings from that history to any new data points extracted. And, notably, those learnings can expand far beyond an individual or team's own analytical capabilities — AI models excel at finding non-standard, edge cases that may have previously been inaccessible.

The big question – to build or to buy?

Even with a suitable use case for an AI application, and despite exponential advancements in AI capabilities, significant limitations remain that hinder the effectiveness and reliability of DIY solutions. As a starting point to build and train an AI model, a vast, accurate dataset is needed. Established providers will already have years, potentially even decades, of data to build a model upon.

Other limitations include the complexities of training an AI model to accurately extract data from each document format (and the options are diverse), the ongoing need for manual intervention to fine-tune algorithms (in perpetuity), and the inevitable challenge of maintaining compatibility with evolving regulatory requirements. As such, the apparent autonomy offered by in-house development may ultimately prove illusory, overshadowed by the hidden costs and risks inherent in building and maintaining proprietary extraction technology.

It is imperative for financial institutions to carefully consider the trade-offs between building and buying extraction technology, weighing the allure of autonomy and personalisation against the practical realities of scalability, reliability, and compliance.

The fallacy of building: Challenges and considerations

Managing alternative investments presents unique challenges, particularly in data extraction. While the final decision to buy versus build comes down to a number of factors unique to each business, it is important to call attention to the unavoidable cost across both scenarios — the cost of doing nothing. Manual extraction is tedious, time-consuming, and prone to human error — and the alts industry is quickly moving beyond manual.

For financial institutions considering building in-house solutions, several critical considerations will come into play:

Key person risk: Relying on a handful of individuals to develop and maintain proprietary extraction technology exposes a financial institution to key person risk. The departure of key personnel, whether due to turnover or unforeseen circumstances, could disrupt operations and compromise institutional knowledge. Such dependency on specific individuals can lead to significant setbacks and vulnerabilities in data management processes.

Resourcing: Establishing an in-house team for building and maintaining extraction technology requires substantial resources, both in terms of talent and infrastructure. From hiring specialised developers to investing in hardware and software, the upfront and ongoing costs can be considerable.

Moreover, ensuring the scalability and adaptability of in-house solutions demands continuous expenses for training, research, and development. Failure to scale efficiently means manual work is again required. As the demands for data extraction evolve, so do the resource requirements, stretching budgets and manpower thin.

Fragility of legacy tech: Integrating new extraction technology into existing legacy systems can be fraught with complications. In-house solutions may lack the interoperability necessary to seamlessly integrate with a financial institution's current infrastructure, opening up the potential for inefficiencies and technical debt. Moreover, the need to maintain compatibility with evolving technologies and regulatory requirements will add another layer of complexity, increasing the risk of operational disruptions and system failures.

Opportunity costs and maintenance burden: Building and maintaining solutions in-house diverts attention and resources away from core business objectives, potentially hindering an institution's competitiveness and growth. The focus on developing new features and the need for continuous maintenance may sideline critical initiatives and strategic endeavours, delaying time-to-market and impeding innovation.

Arguably, the opportunity costs associated with reallocating resources from revenue-generating activities to internal development projects, maintenance needs, or troubleshooting complexities can have long-term implications for financial performance and market positioning.

Innovation constraints: In-house development teams may lack the breadth of expertise available through third-party vendor teams who focus on these challenges daily. Context switching limits an institution's ability to innovate and adapt to emerging trends and technologies in the alternative investments landscape.

Moreover, the insular nature of development may lead to groupthink and stagnation, stifling creativity and hindering progress. By contrast, partnering with established vendors like Canoe provides access to diverse skills and perspectives, fostering innovation and driving continuous improvement.

Compliance risks: Compliance is paramount in the highly regulated world of finance. Developing in-house extraction technology may introduce compliance risks if the solution fails to meet regulatory requirements or industry standards.

Errors or inaccuracies in data extraction could lead to regulatory violations, fines, and reputational damage.

Ensuring compliance with ever-changing regulations adds another layer of complexity and potential liability for financial institutions, underscoring the importance of investing in proven, compliant technologies.

Unlocking the power of data with extraction technology

In the fast-paced world of alternative investments, precision and speed in data management can mean the difference between success and stagnation. Recognising the complexities inherent in this landscape, Canoe offers a solution purpose-built specifically for the nuances of alternative investments. With Canoe's extraction technology, financial institutions gain access to a comprehensive and reliable platform designed to streamline data extraction processes, providing unparalleled insights and efficiencies.

Superior Data Extraction: Canoe's extraction engine stands out for its unparalleled accuracy and efficiency. By leveraging cutting-edge approaches such as Natural Language Processing (NLP), text anchoring, spatial and coordinate recognition, meta-data analysis, machine learning pattern generation, and advanced table detection, Canoe ensures precise extraction of data from documents of any length or structure. Even challenging formats like floating tables are handled with ease, empowering clients to extract valuable insights from their investment documents effortlessly.

An ever-growing, shared intelligence: One of the key advantages of Canoe's extraction technology is its shared intelligence. As clients utilise the platform, Canoe continuously learns and improves based on collective usage. This shared knowledge allows clients to create bespoke data extraction patterns tailored to their specific needs in a matter of seconds.

With each interaction, Canoe's intelligence grows, enhancing its speed, accuracy, and processing rates. This ensures that clients always have access to the most advanced extraction capabilities, enabling them to stay ahead in an ever-evolving market.

Unparalleled access to data: Canoe's extraction engine empowers clients to unlock the full potential of their data. In addition to extracting required data elements for reconciliation, clients can delve into the rich historical documents that were previously inaccessible due to capacity constraints. Put simply, those edge case analyses are not so edge with Canoe as a partner.

This comprehensive dataset can be easily accessed and utilised for data science projects, deeper analytics, and informed decision-making.

By harnessing the power of Canoe's extraction technology, clients gain a competitive edge in the marketplace, driving innovation and growth.

Conclusion

In a landscape where data is king, your extraction technology should reign supreme. Consider your confidence level when it comes to the complexity of what an internal build entails, as well as how fast you would have to get there to beat the market.

No matter how many resources you have on hand, there will be a build time where you will continue in the inefficient experience.

Add in the open-ended expense of a build, likely to be larger than expected on a fixed basis and continuously growing with maintenance and development needs — and you have quite a sunk cost on your hands. Fortunately, there are no fixed costs with tech solutions as fees are typically based on usage.

With superior data extraction capabilities, ever-growing shared intelligence, and unparalleled access to data, Canoe empowers financial institutions to unlock new opportunities and drive success in the world of alternative investments.

To learn more about how Canoe can transform your data management processes, contact us today. ■

"With superior data extraction capabilities, ever-growing shared intelligess to data, Canoe empowers financial institutions to unlock new opportunities"

Rob Calder

Enterprise sales executive

Canoe Intelligence

Finding the banking and payment solutions sweet spot

Adil Rehman, global head of Payments & Liquidity at MUFG Investor Services, discusses the evolution of global payments for fund administrators, the growing intersection with banking, and the unique features of the firm's new banking and payments solutions to transform services for the industry

How has the evolution of the banking and payments solutions marketplace driven asset managers to look for new options?

There are a few factors. People are very aware of how they manage their cash. In recent years, as interest rates increased, asset managers and investors have become more focused on banking and payments solutions, including deciding how to get cash in the right place at the right time in the right currency, avoiding trapped cash, and maximising yields.

The banking industry has struggled when serving this market — we hear complaints that it takes too long to open accounts, onboarding is convoluted, and they do not have easy access. Some of that is due to regulations with new account opening requirements, and some due to the inertia of banks not moving quickly enough to address a poor experience.

Clients have grown quickly, and their processes have not scaled at the same rate. Decentralised workflows, manual processes and reconciliations, and lack of automation are issues all clients are facing. They are looking for a trusted and reliable banking partner to help them.

More recently, fintechs stepped into that space. Clients opened accounts through partnerships and received technology solutions for their accounts. But fintechs cannot offer yield enhancement, and while they can move quickly and are not bound by banking regulations, they are not credit institutions and are limited in terms of adding value with balance sheet and being in the flow of funds.

Now, asset managers are searching for providers that can offer a strong client experience to reduce operational risks and burden, while also enhancing working capital and delivering economic benefits that come from leveraging a large balance sheet and network.

What does that mean for the industry as we move into 2025?

There is a great deal of focus on how to more effectively manage cash, away from the solutions that have been adopted in the last few years. There are trillions of dollars in 'dry powder' waiting to be invested in private markets, and as global opportunities increase — especially in emerging markets — asset managers need the ability to process payments and deploy capital more efficiently.

We see the activity continuing through 2025. It is absolutely critical that asset managers have cutting-edge infrastructure to support growth.

Managers must be able to move money quickly for investment activity, such as establishing new structures for special purpose vehicles (SPVs). The demand is there, and banking solutions underpin all that work.

Payment Solutions

Why is this the right time for MUFG Investors Services to launch these solutions?

We see this as the next logical step in our suite of services, which extend well beyond traditional fund administration and asset servicing. MUFG Investor Services is a division of Mitsubishi UFJ Financial Group (MUFG), one of the largest banks in the world, and it has a very strong credit rating. We can leverage an extraordinary array of capabilities and services, an extensive banking network, and highly integrated products.

We are using all those elements to create a marketplace for best-in-class solutions and to serve as an aggregator rather than a single provider platform. The distinct feature is that financial institutions can leverage our network for multiple solutions, regardless of where they have their accounts. Managers may overlay our banking and payment capabilities onto their existing infrastructure without changing their existing banks.

Asset managers already trust us with the key elements of their businesses — back, middle, and front office functions — so they know we have great depth and strength in coordinating entire workflows and end-to-end requirements. Our extensive fund administration experience, trusted operational partnerships, ability to develop customised technology solutions, and strong balance sheet places our firm in an excellent position to seize the opportunity.

It sounds like you have found a 'sweet spot' and a way to fill a gap?

We are presenting this as a single, centralised solution to offer the best qualities of both worlds — we offer aggregated treasury solutions, similar to a fintech, and we provide banking and payments services that asset managers require from a bank.

We can move quickly to develop client-centric solutions. Where it is optimal for us to be in the flow of funds, we will make our liquidity available. And we are willing to be a platform to act as a hub for other banks. End-to-end, we think about operational integration into a financial institution's ecosystem.

What are the key features of the global platform?

MUFG Investor Services has been offering payments and banking services in various forms for years. What we have done now is allow all asset managers to tap our services even if they do not leverage our fund administrator services.

One of the primary features is providing asset managers one central location to manage all payments — domestic, international or cross-currency. For example, that could mean using the service to move cash between prime brokerage, custody accounts or cash accounts, or support third-party payments whether they are expense-related or investment activity. The platform will route the payment to away banks, or we can bring funds in house and deliver the payments directly.

How are the banking and payments solutions structured?

It begins with account services. All accounts with our bank are fully enabled to receive the full complement of services covering payments and collections.

Asset managers may open accounts in more than 20 currencies and these accounts provide instant access to cash while paying attractive yields. The variety of account services include call accounts, operational accounts, and controlled accounts, such as DACAs and Escrow accounts.

In addition, we can make domestic and international payments in 120 currencies in 150 countries, and the service is integrated to treasury platforms end-to-end. Users have digital channels to instruct the payments, whether it is via file over host to host, on our web portal, API, SWIFT, or other corridors.

You mentioned payments earlier. What are the key elements of your payments service and are asset managers required to have an account with your bank to use them?

A unique feature of MUFG PayStream is that asset managers are not required to have their accounts with us to use the payment options. We have created a just-in-time funding model that can pull funds from banks, and deposit that money into multiple accounts based on rules and business needs. That is extremely powerful from a cross-currency and international delivery perspective.

For example, an asset manager's bank may not provide the most efficient channel to make payments in Brazil. The bank might need to engage a local Brazilian bank to handle the conversion, which could incur extra costs and require tying up additional capital. If the bank does complete the transaction, managers are bound to that pricing, which may not be transparent or optimal.

We can make payments in Brazil by taking the money from the client's bank in their base currency, converting it into Brazilian currency in real time, and sending it to the beneficiary. Our services include sourcing FX liquidity through multiple banks to find the best rate, allowing clients to pre-clear beneficiaries so transactions are less likely to be delayed, as well as implementing a call-back process for enhanced security.

How is the Open Treasury Hub distinct from payment services?

The Open Treasury Hub takes the concept of payment services even further — asset managers send all payments to one central hub, and we can route it accordingly by leveraging our infrastructure to directly communicate with away banks.

This is purely a technology solution — a conduit — to manage payments and integrate with existing third-party treasury management systems. We are planning in the second quarter of 2025 to give clients the ability to view all account balances from the hub. By adding services including pre-validation, beneficiary management and workflow tools so clients can apply their business policies — including initiators, authorisers and trigger thresholds — it streamlines and provides a consistent and simple approach to manage all payment activity.

"Managers may overlay our banking and payment capabilities onto their existing infrastructure without changing their existing banks"

How have the new banking and payments solutions been received?

Feedback has been very positive because we are offering solutions to longstanding challenges for financial institutions. These solutions have also gone beyond addressing the challenges faced by the fund structures, and they are resonating with the management companies and general partners as the platform has been effective in supporting day-to-day operations and cash management for various use cases.

We see this as a very natural progression for asset managers who can use our modular services to improve cash management without a large investment. We also believe it is an excellent way for managers to begin a relationship with our firm, and if they choose, open bank accounts, and begin using some or all the solutions we provide across the entire value chain. ■

Bahamas

Forming a peninsula of over 700 islands that shape the Lucayan archipelago in the Atlantic Ocean, the Bahamas are known for their white beaches, turquoise waters, and favourable tax regime.

As an established offshore fund domicile, the islands offer a number of fund structures for investors, including professional funds, SMART funds, and ICONs.

Its flexible regulatory environment, alongside tax advantages such as no income, capital gains, or inheritance taxes, have made the Bahamas an alluring location for fund managers and investors.

The territory's financial sector is overseen by the Securities Commission of the Bahamas, promising investors a secure, compliant, and regulated fund environment. ■

Useful Websites

www.scb.gov.bs

www.bfsb-bahamas.com

Bermuda

Despite being located over 1,000 kilometres away from its nearest neighbour, the United States, Bermuda cannot be described as isolated. Rather, this British Overseas Territory features a distinct blend of English and American culture as well as a soaring financial market in the midst of the Atlantic Ocean.

Bermuda offers a tax-neutral environment to investors, offering no corporate income tax, capital gains tax, or withholding tax to institutions seeking to optimise their tax positions.

The island's English common law system maintains compliance with international standards, and its political stability ensures that Bermuda remains one of the preferred domiciles for funds with a focus on insurance and reinsurance markets. ■

Useful Websites

www.bma.bm

www.ra.bm

British Virgin Islands

The British Virgin Islands, a British Overseas Territory situated in the Caribbean, has become a popular offshore fund domicile for hedge funds, private equity funds and venture capital funds.

Making up part of the Virgin Islands archipelago alongside their US and Spanish counterparts, the BVI continues to gain attraction for its favourable tax rates: there are no taxes on profits, capital gains or income at the fund level. BVI's legal system is based on English Common Law, which allows for strong protection for investors and a stable regulatory environment.

The British Virgin Islands Financial Services Commission (BVIFSC) is the island's regulatory authority and oversees all regulation, supervision, and inspection of the financial services industry in and from the BVI. ■

Useful Websites

www.bvifsc.vg

www.dof.vi.gov

Cayman Islands

Situated deep in the Caribbean Sea, the Cayman Islands is a cluster of three islands nestled between Jamaica and Cuba.

A pleasant tropical climate and mangrove swamps are only part of the island's offering; it also acts as a leading offshore fund domicile.

The Cayman Islands provide a flexible regulatory environment and a well-established legal system, ensuring a robust and secure location for hedge funds and private equity vehicles looking to launch their investment funds. This, alongside the territory’s minimal restrictions on investment strategies and tax-neutral fund structures, means it comes to as surprise that the Cayman Islands host over 15,000 private funds. ■

Useful Websites

www.cima.ky

www.caymanfinance.ky

Gibraltar

In 1967, the British overseas territory of Gibraltar decided to enact the Companies Ordinance and establish the island's financial services sector. The island situated just off the southern coast of the Iberian peninsula is growing its reputation as a key player in the fund services space.

Not only does its location between Europe and Africa and as a gateway to the Mediterranean make the island attractive, but the regulatory environment and tax structures offer funds even greater benefits. The domicile has attracted alternative investments and hedge funds due to its range of fund offerings — most notably, Experienced Investor Funds (EIFs) and Private Funds.

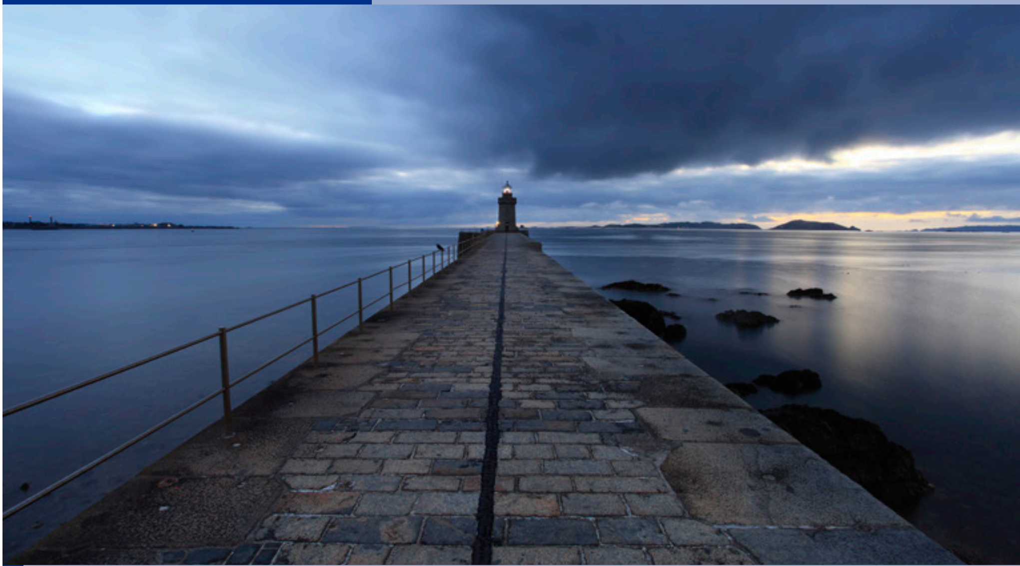
Gibraltar's financial services are overseen by its Financial Services Commission which oversees compliance with the latest regulatory developments. ■

Useful Websites

www.gfia.gi

www.gibraltarfinance.gi

Guernsey



Guernsey, one of the Channel Islands off the coast of France, has developed into a reputable domicile for fund managers. All fund services practises are overseen by the Guernsey Financial Services Commission (GFSC), an independent public body accountable to the States of Guernsey, which is responsible for the financial services industry and establishing the regulatory regime.

The island has drawn interest from the fund services space due to its tax-neutral environment with no capital gains or inheritance taxes. The flexible fund structures available in Guernsey, including open-ended and closed-ended investment companies, have been particularly appealing to private equity, hedge funds, and real estate funds.

The island's close-ties to London and the UK make it a popular domicile for the alternative funds space and a stable choice of domicile. ■

Useful Websites

www.guernseyfinance.com

www.gifa.gg

Hong Kong

A region known as a melting pot of nationalities, languages, and culture, Hong Kong is a metropolis that boasts a thriving financial sector. Characterised by its robust legal system, minimal government market intervention, and low taxation rates, the territory's location off the southern coast of China offers investors a gateway to Chinese and international markets.

Hong Kong is overseen by the Securities and Futures Commission (SFC), where investors can be safe in the knowledge that their funds will remain protected.

The region also offers two principal fund structures: unit trusts and corporate funds. Of these, open-ended fund companies (OFCs) and limited partnership funds (LPFs), implemented in 2018 and 2020, offer asset managers in Hong Kong a modern and flexible fund vehicle. ■

Useful Websites

www.hkifa.org.hk

www.hkma.gov.hk/eng

Ireland

Ireland has developed into one of the leading centres for funds in Europe, with a particular focus on UCITS and alternative investment funds. The jurisdiction's strong regulatory framework and situation within EU standards, allows for impressive levels of investor protection and regulatory oversight. Ireland's tax treaties with over 70 different countries have also strengthened its position as one of the growing and premier fund domiciles.

The nation's capital and financial centre, Dublin, has become an attractive destination for global fund managers and emerging talents across the funds space.

The domicile has developed specialisms within the legal, accounting, and administration services which has been incredibly supportive to the entire fund lifecycle. ■

Useful Websites

www.centralbank.ie

www.consult.finance.gov.ie/en

Isle of Man

Located in the Irish Sea between the UK and Ireland, the Isle of Man has developed into a strong domicile for fund managers and investors. The island is a self-governing British Crown Dependency and its financial services sector is overseen by the Isle of Man Financial Services Authority (IOMFSA).

The sector has grown in stature due to its tax advantages — including no capital gains tax, wealth tax, stamp duty, or inheritance tax.

The island also offers a wide range of fund structures which cater to various investment strategies. These structures include qualifying funds, specialist funds, and experienced investor funds. ■

Useful Websites

www.cisi.org/cisiweb2

www.iomfsa.im

Jersey

Jersey, a lot like its Channel Island neighbour Guernsey, has risen to prominence in the fund services space and has become a preferred domicile for fund managers.

Its strong and stable regulatory system, overseen by the Jersey Financial Services Commission (JFSC) creates trust through its high levels of compliance and investor protection.

The island also allows for a flexibility of fund structures; including expert funds, Jersey private funds, and the Jersey listed fund. The various fund structures have also paved the way for a growth in alternative investment strategies such as private equity, real estate, and hedge funds.

These funds can also enjoy the island's tax-neutral status and its close ties with London's financial centre. ■

Useful Websites

www.jerseyfsc.org

www.jerseyfinance.je

Luxembourg

Despite its small size, Luxembourg is one of the largest and most significant jurisdictions in the financial services industry.

The landlocked nation, wedged between Belgium, France, and Germany, is the largest investment fund centre in Europe and second only to the US globally. Its location offers major benefits given its accessibility to major financial markets and, as part of the European Union, has stable political and regulatory frameworks.

The domicile is known for the array of investment funds — most notably, UCITS and alternative investment funds (AIFs). It also offers varying structures, including specialised investment funds (SIFs) and reserved alternative investment funds (RAIFs). Its favourable tax rates have also attracted investors in their droves. ■

Useful Websites

www.luxse.com

www.alfi.lu

Malta

The historic island of Malta may appear unassuming in size, but the country has plenty to provide for investors seeking to establish a domicile in the heart of the Mediterranean.

Malta, a fast-growing financial hub since its inclusion in the EU in 2004, reveals a fund environment that has a competitive advantage on cost, a highly efficient and responsive regulator (the Malta Financial Services Authority), and one of the lowest effective tax rates in the EU.

The island's regulatory framework also enables investors with the flexibility required to establish a range of fund structures, including the country's Professional Investor Funds (PIFs) and SICAVs. Ranked highly in terms of political soundness as well as reporting standards, Malta demonstrates its appeal to investors targeting both European and global markets. ■

Useful Websites

www.mfsa.mt

www.masa.mt

Mauritius

Rating as Africa's most developed country on the Human Development Index (HDI), Mauritius has blossomed from an agriculture-based economy to a growing fund domicile in the Indian Ocean. Offering no capital tax gains, flexible listing rules, and an exemption rate of over 80 per cent for foreign income funds, the country has positioned itself as an attractive region for fund managers.

The island also remains popular for investors seeking access to emerging markets, particularly those within Asia and Africa, and is regulated by the Financial Services Commission (FSC), ensuring a high level of investor protection.

With a strong emphasis on adhering to international standards, alongside a signed double taxation avoidance agreement with 42 countries, the country and its ever-developing financial industry continues to live up to its nickname, 'The Mauritian miracle'. ■

Useful Websites

www.fscmauritius.org/en

www.mauritiusfinance.com

Switzerland

'One for all, all for one' may be the (unofficial) motto of Switzerland, but the region is nothing but giving when it comes to the range of fund structures on offer to investors. As a prestigious fund domicile, the country prides itself on its political stability and strong financial sector, which caters to a number of investment strategies and asset management companies.

Over 12,000 collective investment schemes are on offer within Switzerland, including the Swiss Collective Investment Schemes (CIS), and the country is renowned for its transparent and competitive tax environment. With a high priority on privacy, confidentiality, and security, Switzerland remains steadfast as the top location for investors in Europe. ■

Useful Websites

www.finma.ch

www.am-switzerland.ch/en

Singapore

Situated off the coast of Malaysia, the vivacious island country of Singapore is a leading asset management location. For investors looking to target growing Asian markets, the region promotes a number of tax incentives, including low tax rates and high exemptions, as well as a host of fund structures, such as the Variable Capital Company (VCC) framework.

The Monetary Authority of Singapore (MAS) oversees the financial sector, ensuring high standards of compliance and investor protection. With a highly developed and dynamic market economy, as well as double taxation treaties with over 70 countries, it is understandable to see how Singapore has come to host over US$5.4 trillion assets under management. ■

Useful Websites

www.mas.gov.sg

www.thesas.org.sg

USA: Delaware

Delaware may well have been 'The First State' to ratify the US Constitution in 1787, but in 2025 it is the leading state to open its arms to the fund services industry — becoming the top choice for various funds in the US. Delaware's favourable tax regime, which includes the absence of state taxes on income generated outside Delaware, has attracted funds from both within the US and abroad.

Delaware also allows for limited liability companies (LLCs) and limited partnerships (LPs), two business frameworks that are frequently used by fund managers due to their simplicity and tax advantages. ■

Useful Websites

www.banking.delaware.gov

www.finance.delaware.gov

Outsourcing technology in global fund management

A strategic advantage

Colt Younger, senior vice president head of product at Delta Data, delves into the multifaceted drivers behind the growing trend of back office technology outsourcing within the industry

The global investment fund management industry is experiencing a period of unprecedented transformation, fueled by a complex interplay of factors reshaping its operational landscape.

These include escalating regulatory burdens, the exponential growth of data volume and complexity, the relentless pace of technological innovation, increasing investor sophistication, and the growing pressure for enhanced transparency and accountability. This dynamic environment compels many firms to reassess their operational models, with back office operational outsourcing emerging as a critical strategic lever for enhancing efficiency, mitigating risks, optimising costs, and securing a competitive edge.

Outsourcing back office functions is critical to the digital transformation of the global investment fund management industry, especially in managing costs amid the fee compression the industry is experiencing.

The driving forces behind outsourcing

The decision to outsource back office technology solutions is rarely a singular event — it is a strategic response to a confluence of interconnected factors.

These drivers can be categorised into several key areas, each demanding careful consideration:

Navigating the maze of regulatory compliance: The ever-evolving regulatory landscape poses a significant challenge for globally active investment firms. Compliance extends far beyond simply meeting local regulations. It involves navigating a complex web of international standards and differing interpretations across multiple jurisdictions. This requires specialised expertise in areas like MiFID II, AIFMD, Dodd-Frank, GDPR, CCPA, and others, significantly increasing the burden on internal resources and potentially exposing firms to substantial fines for non-compliance.

Outsourcing back office operations offers a strategic solution by providing access to pre-built, compliant technology platforms, expert knowledge of evolving regulations (including proactive monitoring and updates), and robust audit trails, mitigating the substantial costs and risks associated with in-house compliance management.

Furthermore, outsourcing firms often possess a deeper understanding of emerging regulatory trends, enabling investment firms to proactively adapt to changes and avoid potential pitfalls. This proactive approach is crucial for maintaining a strong compliance posture and avoiding costly penalties.

Harnessing the power of big data and advanced analytics: The explosive growth of data volume and velocity within the investment management industry presents both a challenge and an opportunity. It is no longer sufficient to simply store data; the critical aspect is extracting actionable insights from it.

This requires advanced analytics capabilities, including machine learning and artificial intelligence (AI), to identify patterns, manage risk more effectively, optimise investment strategies, and personalise client interactions.

Outsourcing provides access to specialised data infrastructure, including cloud-based solutions and big data platforms, enabling firms to process and analyse vast datasets efficiently and cost-effectively. Moreover, back office outsourcing partners often bring advanced analytical expertise that can help firms develop sophisticated predictive models, improve decision-making across various business functions, and create a competitive advantage through data-driven insights.

Embracing technological innovation — a constant pursuit of efficiency: The relentless pace of technological innovation necessitates continuous investment in system upgrades, software licences, and employee training — a significant financial and resource commitment for many firms.

Outsourcing back office operations allows firms to leverage cutting-edge technologies without the significant capital expenditure and ongoing maintenance costs of in-house development. This access extends to emerging technologies like blockchain for enhanced security and transparency, robotic process automation (RPA) for automating repetitive tasks, cloud-based infrastructure for improved scalability and resilience, and AI-powered solutions for various aspects of the investment process. By outsourcing, firms can rapidly adopt and adapt to new technologies, ensuring they remain at the forefront of industry advancements and maintain a competitive edge.

Addressing the talent acquisition and retention challenge: The investment management industry faces intense competition for skilled professionals in high-demand areas like data science, cybersecurity, cloud computing, and specialised software development.

Outsourcing providers often have established training programs, ensuring that their employees possess the latest knowledge and skills, reducing the burden on internal training departments. This is especially beneficial for niche technologies where specialised expertise is difficult to find and retain internally.

Focus on cost control due to fee compression: The revenue streams of global investment fund managers are under significant pressure. To combat this, firms are increasingly seeking cost efficiencies across their entire operational ecosystem. One strategic approach has been to outsource non-proprietary back office technology functions. By doing so, fund managers can streamline operations, reduce overhead, and focus resources on differentiating their core capabilities, ultimately helping to offset the impact of fee compression.

"A thorough due diligence process is essential to assess potential outsourcing providers' financial stability, technical expertise, security protocols, compliance record, and cultural fit"

Optimising cost structures and resource allocation: While cost reduction is a significant benefit of outsourcing, it should not be the primary driver. The focus should be on optimising resource allocation, allowing firms to strategically invest more heavily in core business functions like investment research, portfolio management, client relationship management, and business development. Outsourcing non-core IT functions frees up internal resources to focus on strategic initiatives that drive long-term growth and competitive advantage.

Deepening the analysis of outsourcing models and their implications

The outsourcing model choice significantly impacts the success of the strategy. Several models exist, each with its own implications:

Full outsourcing: This involves transferring complete responsibility for a specific function or technology to an external provider. It offers significant cost savings and access to expertise but requires meticulous due diligence to ensure the provider's reliability, compliance, and security capabilities.

Contractual agreements must clearly define service levels, performance metrics, and security protocols.

Partial outsourcing: This involves outsourcing only specific aspects of a function, maintaining some internal control and expertise.

It offers a balance between cost savings and control but requires effective coordination between internal and external teams and robust communication channels.

Co-sourcing: This involves a collaborative partnership between the investment firm and the outsourcing provider, combining internal and external resources and expertise. It leverages the strengths of both parties, but demands a high degree of communication, trust, and shared responsibility for achieving common objectives.

Infrastructure outsourcing: Leveraging cloud infrastructure offers significant scalability, flexibility, and cost-effectiveness. As cloud migration gains momentum within the industry, rather than rebuilding in the cloud, many firms are seeking cloud-based solutions from outside vendors that have personnel with skills and expertise in cloud application.

Each model presents trade-offs regarding cost, control, risk, and access to expertise. The optimal choice depends on the firm's specific needs, risk tolerance, strategic objectives, and the complexity of the technology being outsourced.

Best practices for successful outsourcing implementation

Implementing a successful outsourcing strategy requires careful planning, execution, and ongoing monitoring. Key best practices include:

Clearly defined scope and objectives: Establishing a clear understanding of the scope of services, key performance indicators (KPIs), and service level agreements (SLAs) upfront is crucial.

These should be documented in detail and regularly reviewed.

Rigorous vendor selection and due diligence: A thorough due diligence process is essential to assess potential outsourcing providers' financial stability, technical expertise, security protocols, compliance record, and cultural fit. This should involve multiple rounds of evaluation and reference checks. In addition, firms should consider whether a vendor supports other firms like their own, as well as the opinion of the vendor by those firms.

Robust contractual agreements: Comprehensive contractual agreements are vital to protect the firm's interests. These should cover all aspects of the outsourcing arrangement, including service levels, payment terms, security requirements, intellectual property rights, and dispute resolution mechanisms.

Effective communication and collaboration: Open and consistent communication channels are essential for successful project management and issue resolution. Regular monitoring and evaluation of the outsourcing provider's performance are crucial to identify any issues and ensure that the arrangement remains effective and cost-efficient. KPIs should be tracked diligently and reviewed periodically.

Strong governance framework: A robust governance framework is essential to manage the outsourcing relationship effectively. This includes clear roles and responsibilities, regular communication, and escalation procedures to address any disputes or challenges. Regular progress reviews, performance reports, and escalation procedures should be established.

Data security and privacy: Protecting sensitive client data is paramount. Robust security measures, data encryption, and compliance with relevant data protection regulations (GDPR, CCPA, etc.) must be implemented and regularly audited.

Outsourcing as a strategic imperative

Outsourcing back office technology solutions is no longer a peripheral activity — it has become a core strategic element for success in the increasingly competitive and complex investment management industry. By carefully assessing their needs, selecting reliable and reputable partners, and implementing robust governance structures, investment firms can leverage outsourcing to enhance efficiency, mitigate risks, optimise costs, and focus on their core competencies.

The key to success lies in viewing outsourcing, specifically the outsourcing of back office operations, not as a mere cost-cutting exercise but as a strategic partnership designed to drive long-term sustainable growth and competitiveness in a dynamic and increasingly demanding global market.

A proactive and well-defined outsourcing strategy is, therefore, essential for navigating the challenges and capitalising on the opportunities presented by the evolving landscape of the investment management industry. It requires an experienced and trusted partner to ensure a successful and capable digital transformation of investment management back office operations. ■

Colt Younger
Senior vice president head of product
Delta Data

Fast-growing alternative asset class that demands specialist servicing

One of the fastest-growing alternative asset classes, private debt has seen macroeconomic and regulatory factors driving it forward. Benjamin Ayache, programme director at CACEIS's PERE division, looks at the specialist servicing requirements it needs

Private debt has leapt to the forefront of the alternative asset sector in both the US and Europe, fuelled by macroeconomic factors, regulatory initiatives, and enterprising asset managers. It is by far the fastest growing alternatives sector, which according to Morgan Stanley has seen a dramatic rise to an industry worth approximately US$1.5 trillion at the start of 2024. In the post-global financial crisis (GFC) economy, private debt was brought into the spotlight due to the combination of a dramatic fall in interest rates and prudential regulation that heavily restricted banks' balance sheet lending ability, triggering an ensuing credit crisis. The crash in banks' financing risk appetite saw resourceful asset managers cover the market shortfall with private capital at a range of investment horizons, and with varied levels of risk appetite.

Private debt investors were attracted by the broad range of investment opportunities in terms of strategy, asset class, and debt seniority, which can be matched to their desired risk/return profile. Portfolio-diversifying investment opportunities, a reliable income stream (depending on the seniority), strong risk-adjusted yields, a potential liquidity for some investments, and the ability to attract retail capital through fund distribution platforms were all key factors in its rapid rise to the top of the alternatives charts.

While its most notable function is providing credit to privately-owned small to medium-sized enterprises (SMEs), private debt does however offer a range of investment strategies. One of the most common is deployed private debt assets, which usually involves senior secured debt for mid-sized companies involved in M&A deals. Another is a mezzanine debt strategy, which involves debt below the senior level with an option to convert to equity in the case of default, and which as a consequence offers a higher risk/return profile.

A distressed debt strategy involves investing in, and restructuring, debt of companies in financial difficulty. A special situations strategy focusses on companies which show sound fundamentals but are currently facing unpredictable events, such as a court case. In addition to company debt, private debt can also be deployed in infrastructure financing projects and real estate projects. Finally, private debt can be used in addition to venture capital strategies in private equity funds for related additional investments.

All the indicators for the private debt sector are positive, and according to Morgan Stanley it could become a US$2.8 trillion market by 2028, as banks continue to withdraw from the lending arena and investor appetite for inflation-beating returns remains high.

Turning to servicing needs for these private debt funds, we note that private debt-related interest calculations, supervision and monitoring of corporate events linked to the positions are time-consuming and complex. Performing such calculations internally for a high volume of loans and using an array of spreadsheets significantly raises the associated error risk. And as investment strategies, reporting requirements and analysis demands increase in complexity, more managers are looking to the automation of loan administration to free-up time, reduce error risk, and focus on the core activity of investment decision making.

There are a number of market-leading platforms for automating the administration and settlement of private debt, syndicated loans and many types of bonds. Such platforms can provide overviews and data in real-time across the entire book of loans and any underlying positions, thereby enabling managers to make better-informed investment decisions.

Rapid access to data and reports is also a benefit when servicing limited partnerships (LPs) and fundraising is a key area of activity.

Platforms enable managers to meet LPs' increasing demands for transparent and timely information. In today's competitive market, being in a position to satisfy LPs' data requirements is of paramount importance.

State-of-the-art platforms require significant IT investments, and when combined with the development of internal systems and compliance with regulations, they can strain efficiency and profitability. Consequently, many private debt managers are outsourcing IT investments and operational development to asset servicing groups, which benefit from economies of scale.

This allows them to spread technology and regulatory costs across a wide client base. These systems integrate with the servicer's administration and custody platforms for seamless reporting and analytics, and managers can also establish direct data flows to their systems. Additionally, common operational methods across the asset servicer's network support international sales strategies and provide consistent servicing across various jurisdictions. ■

The fuel of the fund services industry

Even before the uptake in AI, data has always been a key component of the fund services industry. Ronald C. Landry, vice president, head of Asset Manager and ETF Solutions at CIBC Mellon, looks at the challenges in extracting meaningful insights from this wealth of information

Data is the fuel that drives the fund services industry. Data quality, governance, and accuracy remain critical yet challenging areas. As banks and insurers increasingly recognise data as a core asset, the ability to access, manage, consume, distribute and act on data efficiently is essential. Fund managers, administrators, and service providers recognise the competitive edge that hinges on the quality and timeliness of actionable data — a resource that is both a challenge to harness, and a transformative opportunity.

Challenges in data management

For fund services professionals, the task of managing data effectively — collecting, storing, and cleansing it — is filled with obstacles. According to research from CIBC Mellon, a significant portion of industry respondents identifies obtaining real-time, high-quality data as the primary barrier. Technological limitations, unstructured data sources, and issues with data reliability and completeness further complicate efforts to maintain an efficient data ecosystem.

In moments of market disruption or regulatory demand, firms rely heavily on data from both internal teams and external advisors. Around two-thirds of respondents admit to relying on specialist external suppliers in times of crisis, as internal data systems may not have the immediacy or accessibility needed for critical decisions. Given limited resources, external advisors provide not just raw data but also interpretative insights, enabling organisations to navigate turbulent environments more effectively.

Extracting meaningful insights: The data dilemma

The journey from data collection to actionable insight is fraught with challenges. The inability to work with unstructured data types or the lack of analytical tools is cited as a major hurdle by respondents, hindering the extraction of valuable insights. Additionally, the absence of a single, centralised 'source of truth', obstructs data integration efforts, leading to fragmented data landscapes and dependency on multiple sources.

For example, ESG data poses specific challenges due to its disparate measurements and standards, nonfinancial factors, and complex nature. Reliable data platforms that consistently manage this type of information are in demand, yet scarce, adding another layer of complexity for firms that are under increasing pressure to meet ESG reporting requirements.

Advances in reporting: Essential tools and techniques

To meet the demand for timely and accurate reporting, the industry is gravitating towards advanced data analysis and quality tools, with an emphasis on up-to-date systems that can handle large volumes of data. Tools that support data integrity, as well as those that simplify the integration of new data sources, are highly valued among industry players.

Interestingly, while artificial intelligence (AI) holds promise for the future of data analysis in fund services, current AI tools have yet to mature to the point of being trusted for critical reporting tasks. However, this gap highlights a significant opportunity for tech providers to develop AI solutions tailored to the industry's unique requirements and which meet the necessary governance and compliance standards.

Technological innovation and future trends

Over the next three years, technological innovation and interest rate fluctuations are expected to be the most impactful trends shaping the fund services industry. Respondents prioritise technological advancements, particularly in data management, analytics, reporting, and AI tools. Such technologies not only improve operational efficiency but also enhance decision-making capabilities, making organisations more attractive to clients seeking reliable, data-driven insights. Interest rate volatility remains a close second in terms of future influence, reflecting ongoing uncertainty in financial markets. The recent period of rate hikes continues to drive industry restructuring and resilience planning as firms brace for potential shifts in economic conditions.

Outsourcing segregated funds: Opportunities and barriers

For Canadian insurers, segregated funds represent a key area for potential outsourcing. While only a small percentage of respondents view these funds as too customised for third-party servicing, several barriers persist. Chief among these are cost concerns and regulatory hurdles. Adapting existing in-house processes to fit third-party solutions and managing the complexity of technological requirements also rank highly as perceived challenges.

Outsourcing these services can offer efficiency gains, yet organisations must carefully weigh these benefits against the demands of cost, compliance, and process alignment. As the industry evolves, finding cost-effective and compliant ways to manage segregated fund services remains a top priority. ■

Letting fund managers sleep at night

Julien De Mayer, founder and CEO of fundcraft, has the cure for your sleepless nights: eliminating operational fund friction

Asset management is about raising capital and deploying it wisely to generate returns, which in turn, enables raising more capital. Everything ‘in the middle’ is a colossal bureaucratic headache that eats into time, focus, and performance. To solve this headache, fundcraft provides a single, integrated product that acts like a pill for operational pain.

For the first time, fund managers can hand over the complexity of fund administration to a digital fund operations provider that centralises and automates every process, at a fixed, transparent and predictable cost — with no surprises.

The ‘bit in the middle’ — fund administration — is almost exclusively delivered by a fragmented market of service providers, relying on human-heavy processes stitched together with a ragbag array of disconnected and closed pieces of software. There is no shortage of software, but it remains tied to flawed human-centric revenue models. As a result, it fails to serve as the cohesive glue needed to create a real single source of truth for asset management.

These systems are slow, opaque, and prone to errors, leaving managers in the dark about critical matters. The difficulty in syncing data between different sources with existing software solutions and providers is a constant, anxiety-inducing problem. I have experienced this first-hand having been responsible for fund administration at Europe’s most well-known venture builder — lying awake at night, waiting for responses from service teams, and unable to check the status of urgent tasks myself.

fundcraft is built to be a trusted partner to fund managers, ensuring they can sleep at night while knowing their fund administrator has done the job in an efficient, transparent and compliant manner.

Unified digital fund operations: A single source of truth

At fundcraft, we have flipped the existing model on its head. By placing technology at the core, we deliver digital fund operations through an integrated product offering that combines a platform, delivery experts, licences, and orchestration of ecosystem operators to enable seamless fund administration.

Our team of delivery experts handles the heavy lifting for fund managers. Divided into eight specialised units — fund marketing and distribution; portfolio management; risk and valuation; compliance; transfer agency; corporate secretary; financial reporting and accounting; and payment — they ensure that every operational detail is executed with precision and efficiency, all through the fundcraft platform.

Offering an open, collaborative, and transparent operating system, the fundcraft digital platform centralises back office processes, data, and interactions, into a single source of truth. On this unified platform, all our delivery experts and all stakeholders in the ecosystem collaborate seamlessly. No more silos. No more guesswork. Just real-time oversight and control.

Take Limited Partners (LPs) as an example. As LPs increasingly demand transparency, speed, data quality, and control, fund managers face a growing need for precision and efficiency across the entire fund lifecycle — from fundraising and onboarding to daily operations, data management, and reporting. At fundcraft, we have developed a comprehensive module that provides branded portals tailored for LPs.

"Solving the bit in the middle, which is a headache for asset managers, helps improve fund performance by removing friction"

These portals include all documentation linked to the fund's data room, a fully digital subscription process — from LP account creation to legal acceptance into the fund — and seamless access to essential fund documents for investment valuations, updates, notices, and reports from fund managers.

Automating the headache out of fund operations

Automation is at the heart of fundcraft's platform. Routine tasks like investor reporting, capital calls, and accounting are handled faster and with fewer errors.

For example, fundcraft can produce a 900-page investor report in 20 minutes — a task that would take weeks with traditional providers — demonstrating the efficiency, speed and reliable quality achievable with digital fund operations.

This automation does not just save time, it reduces operational complexity, lowers overheads, eliminates bottlenecks, and allows fund managers to scale operations without drowning in admin.

Solving the 'bit in the middle,' which is a headache for asset managers, helps improve fund performance by removing friction (meaning cost and risk), and increasing focus and clarity. This increases overall performance by reducing the opportunity costs created by processes that impinge on General Partners' (GPs) core business activity.

Asset servicing is already a bigger headache in Europe than elsewhere, due to a larger regulatory burden that is continuing to grow from this larger base. In this regulatory maze, compliance can not be an add-on — it needs to be baked into the process. As a CSSF-licensed AIFM and central administrator, we deeply understand it.

The fundcraft platform automates AML/KYC workflows, monitors risk in real-time, and provides audit-ready reporting, all within a unified system. No more juggling spreadsheets or chasing down compliance officers.

Migration that will not keep you awake

Anyone familiar with the asset management industry will confirm that all GPs are dissatisfied by the services delivered by their fund administrators, but few switch because of the perceived risks in doing so.

But the tides are changing. In a market where fund managers often struggle with cumbersome and inefficient fund admin processes — relying on manual tasks, back-and-forth emails, and Excel sheets — fundcraft brings a proven solution to established firms looking to launch new funds or migrate existing ones on a digital platform.

Switching fund administrators might sound risky, but it does not have to be.

At fundcraft, we are extremely focused on bulletproof migration and onboarding, complemented by simple, transparent pricing which aligns business model incentives between us and our clients.

We have perfected the migration process to make it seamless and de-risked. We can demonstrably migrate an existing fund (or tens, even hundreds of funds) including all data and documentation, reports, accounts, and payment approval flows.

Smooth transitions are ensured while operations are also checked from a legal, regulatory, and corporate housekeeping standpoint. For new funds, onboarding is just as smooth.

Traditional fund administration services often have unpredictable and high fees that are not aligned with the value they provide. In most cases, they are based on 'time spent', in a similar approach to lawyers or accountants.

We have moved away from this input-driven pricing to a value-based model, aligning our pricing with a fund's lifecycle, offering transparent, fixed fees that scale with the fund's growth.

Our tiered fixed fee is calculated based on the greater of called capital from investors or deployed capital by the fund, scaling down to 10 basis points at the highest tier, with a minimum annual fee per fund, invoiced monthly.

The deployment period typically changes with the fund's strategy, but the key point is that our fees also decrease in line with the divestment period, following the lifecycle of the fund and aligning the interests of all parties involved. No hidden costs. No surprises. Just straightforward, predictable value.

Fixing the middle to boost the top and bottom lines

The 'bit in the middle' is not just a nuisance, it is a drain on performance. Friction in fund operations — whether from delays, errors, or inefficiencies — costs managers time, money, and focus. We eliminate this friction. By centralising and automating operations, we free managers to focus on what really matters: raising capital, deploying it wisely, and generating returns.

Our approach delivers measurable results: a 66 per cent reduction in LP onboarding time to a new fund and up to 50 per cent headcount efficiency gains by eliminating manual, repetitive tasks.

> ***"At fundcraft, we are extremely focused on bulletproof migration and onboarding, complemented by simple, transparent pricing"***

Our robust migration and onboarding process, transparent and simple pricing, and fast time-to-RoI create a compelling case for any asset manager to become a fundcraft customer to be able to focus solely on raising and deploying capital.

Whether you are managing venture capital, private equity, or funds of funds, fundcraft is the partner that makes the middle invisible, so you can focus on the top and bottom lines.

The end result?

Better performance, happier investors, and a lot fewer sleepless nights. ■


Vendor Profiles

BNP PARIBAS

BNP Paribas' Securities Services business is a leading global custodian providing multi-asset post-trade and asset servicing solutions to buy-side and sell-side market participants, corporates, and issuers. With a global reach covering 90+ markets, its custody network is one of the most extensive in the industry, enabling clients to maximise their investment opportunities worldwide.

As a pillar of BNP Paribas' diversified banking model, Securities Services provides asset servicing solutions that are closely integrated with the first-class services of the Group's other business lines, in particular those of Global Banking and Global Markets.

As of 30 September 2024, Securities Services had USD 15.0 trillion in assets under custody, USD 3.0 trillion in assets under administration and 9,197 funds administered.

Contact Infomation

www.securities.cib.bnpparibas/contact-us

CACEIS is the asset servicing banking group of Crédit Agricole and Santander dedicated to asset managers and institutional investors. Through offices across Europe, North and South America, and Asia, CACEIS offers a broad range of services covering execution, clearing, forex, securities lending, custody, depositary, fund administration, fund distribution support, middle-office outsourcing and issuer services. CACEIS is a consolidator in the European asset servicing market and posts sustained growth in its business activities.

The group holds over €5 trillion in assets under custody and over €3.4 trillion in assets under administration (figures as of 31st March 2024). CACEIS is one of Europe's leading Private Equity servicing specialists, has played a key role in the ECB's wholesale central bank digital currency (wCBDC) trials and offers the fully-integrated services of a range of best-of-breed fintech companies to its clients through its Connect store.

With follow-the-sun operational coverage provided through offices in Montreal, Luxembourg and Malaysia, CACEIS looks after the needs of its demanding global clientele operating in markets around the globe.

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Canoe Intelligence ('Canoe') is a financial technology company dedicated to advancing alternative investment intelligence for institutional investors, capital allocators, wealth managers, and asset servicing firms. Canoe empowers clients with technology, data, and insights to manage alternative assets more efficiently, accurately, and confidently. With a commitment to innovation and excellence, Canoe is redefining the future of alternative investment data management

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CIBC MELLON

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As at September 30, 2024, CIBC Mellon had more than C$2.9 trillion of assets under administration on behalf of banks, pension funds, investment funds, corporations, governments, insurance companies, foreign insurance trusts, foundations and global financial institutions whose clients invest in Canada. CIBC Mellon is part of the BNY network, which as at September 30, 2024 had US$52.1 trillion in assets under custody and/or administration. CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY trade-marks, and is the corporate brand of CIBC Mellon Trust Company.

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Delta Data

Delta Data is a trusted technology provider for the global investment fund industry, processing trillions of dollars in assets for leading financial institutions across the U.S., Canada, Europe, and the Caribbean. Our solutions simplify the complexities of managing mutual funds, CITs, and other investment fund products, providing oversight capabilities that enhance communication, risk management, and data efficiency.

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Gen II
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Gen II helps clients navigate increasingly complex international markets and regulations, whilst effectively managing their operational infrastructure, financial reporting, and investor communications.

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Goji provides a fully digitised, white label investment platform that simplifies the complexities of the investment journey for private market funds. From seamless investor onboarding to efficient subscriptions, capital calls, distributions, and centralised reporting, its platform equips asset managers, fund administrators, and distributors with the tools they need to scale effectively and drive growth.

Goji's advanced platform features configurable forms and tailored KYC processes, ensuring compliance and enhancing the investor experience. With reusable investor information and robust data export capabilities, Goji's clients can integrate seamlessly with their existing systems. Goji's subscription management tools include DocuSign integration and built-in validations, streamlining workflows and reducing errors. Additionally, Goji's comprehensive reporting capabilities allow users to monitor performance and visualise fund metrics.

Following its acquisition by Euroclear in 2023, Goji has fortified its capabilities, enhancing Euroclear's infrastructure with its innovative private market funds technology. Together, Goji and Euroclear have built a global network that connects asset managers and fund administrators with Euroclear's extensive distribution channels, comprising over 3,000 distributors.

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Jersey Finance

Jersey has been a leading international finance centre for more than 60 years. In particular, Jersey has developed a well-respected and forward-thinking funds sector that offers regimes from retail options through to the more sophisticated and institutional end of the market.

In more recent years, Jersey has evolved into a specialist centre for the alternative asset classes, including hedge, real estate and private equity funds, which account for more than 88% of its overall funds business. The net asset value of regulated funds business in Jersey currently stands at £458bn (June 2024).

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