Alpha

Independent report commissioned by

bravura solutions

Future of Transfer Agency: 2030

June 2025

Disclaimer:

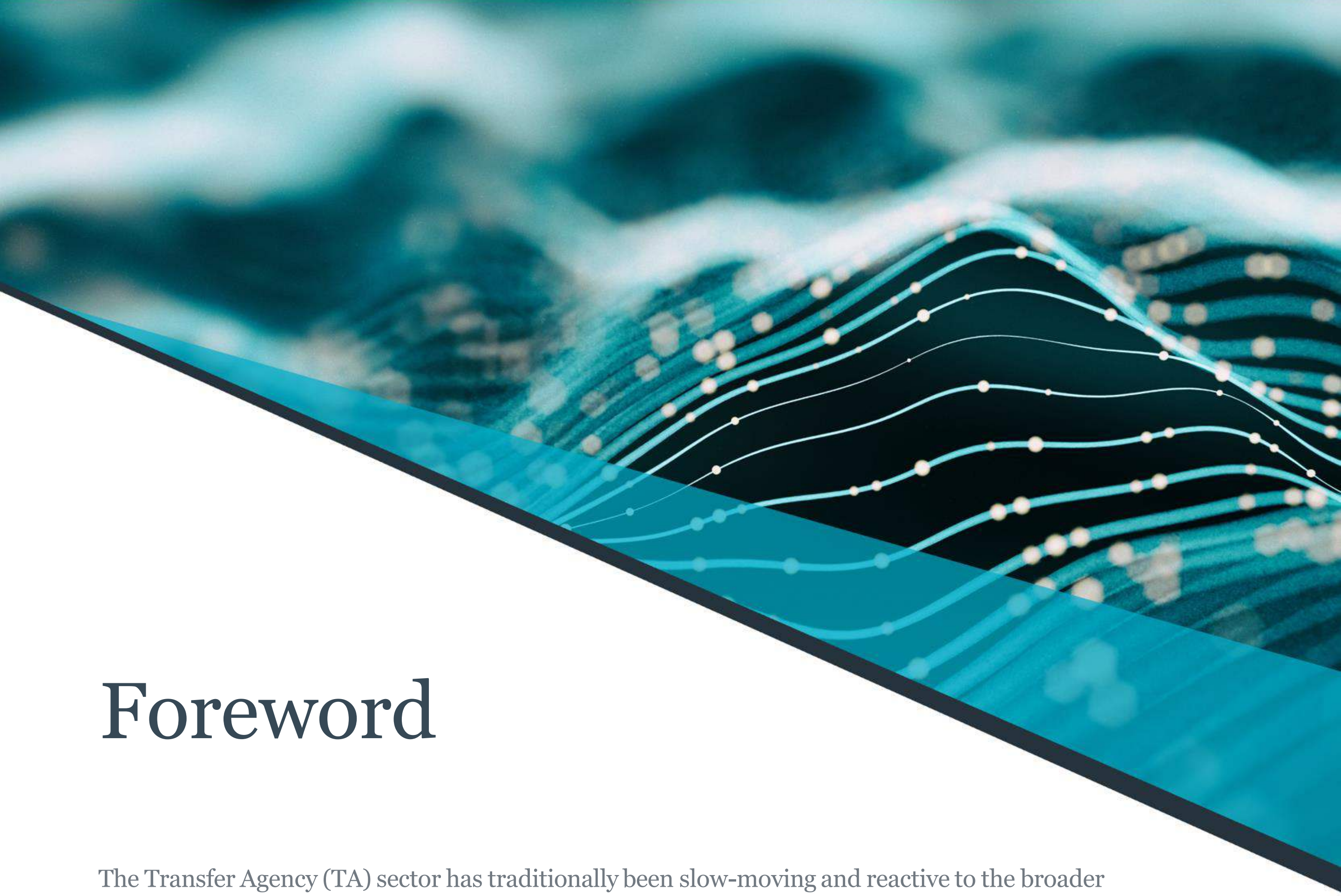
The information contained in this white paper is for general information purposes only.

All information in this white paper is provided in good faith, however Alpha makes no representation or warranty of any kind, express or implied, regarding the accuracy, adequacy or completeness of any information in this white paper.

Under no circumstances shall Alpha have any liability to you or any third party for any loss or damage of any kind incurred as the result of the use of this white paper or the information contained in it. Your use of the information contained in this white paper is solely at your own risk.

This white paper contains general observations and does not constitute advice in respect, or a recommendation regarding, any type of investment or strategy, which are dependent on the recipient's individual circumstances and, in respect of which, you (or your organisation) should seek your own professional advice.

Contents



Foreword

The Transfer Agency (TA) sector has traditionally been slow-moving and reactive to the broader fund management industry. To some a backwater but none the less an important pillar for safe, secure, resilient management of client records.

We set out to explore what TA may look like in 2030 and beyond and what might drive change. Financial services is changing at an increasing pace, and TA is not immune to this change.

We've identified what will drive change namely**, client experience and preferences, real time data and wider technology innovation** and what the impact will be in the battle between large transformation and continuous impactful change and how this will differ for clients depending on where they are today.

We conclude with 5 calls to action for the industry:

- Investor preferences are changing, and the enlightened will provide solutions to meet expectations
- Robust, safe and resilient are expected the story now is about the client experience and how firms deliver this
- Balance current needs with the drive for innovation but don't stand still
- Prioritise cost optimisation through technology
- Real time data and seamless connectivity are not a "nice to have" they are critical for industry success

Where are you on the road to this changing world?

Scott Lee

Senior Partner

Executive Summary

Key Insights

Staying Grounded in What's Achievable Now

- While there is considerable excitement surrounding **DLT and generative AI**, transformative changes are expected to take at least another decade to fully mature and become integrated within the industry
- However, by 2030, **client portals, digital onboarding and targeted applications of automation and AI** for specific use cases are expected to be standard across the industry

The Transition from Offshoring to Automation

- **Labour arbitrage benefits** from offshoring are unlikely to generate further widespread cost reduction. Instead, benefits will be gained through the deployment of technology that increases productivity and replaces administrative roles in the offshore centres
- In the interim, a **hybrid approach**, such as using automation alongside leaner teams, will begin to provide some of the benefits

Growing Need for Comprehensive Solutions

- Asset managers increasingly seek TAs offering **integrated, global models** for cross-border distribution and "one-stop-shop" solutions across all functions, regions, and asset classes
- Providers are responding with **technology, consolidations, and strategic partnerships**, allowing them to bridge gaps and deliver comprehensive services

Prioritising the Client Experience

- TAs of the future will be evaluated more on their capacity to deliver a digital, seamless experience rather than on reconciliation processes that are now a "Hygiene Factor"
- The increasing demand for **real-time data, self-service capabilities, and smooth onboarding** processes need to be addressed to meet client needs

The Need for Greater Interconnectivity

- As the transition to T+1 approaches, and investor preferences shift from traditional mutual funds to alternative investments, ETFs and ESG funds, there is an increasing demand for **improved connectivity** in fund distribution
- A comprehensive **'network of networks'** is essential to integrate the entire market, facilitating seamless connections among various fund networks, trading counterparties, and TAs

Current Trends Shaping the TA Landscape

Current Trends Shaping the TA Landscape

Industry Landscape

Cost pressures, digital transformation, and operational demands are actively reshaping the transfer agency industry — driving change for both asset managers and service providers today. Whilst there are providers of varying size and market share the themes remain consistent across regions.

5 key themes have been identified:

Over the past decade, the asset management industry has seen significant changes, including the rise of passive investment strategies, increasing operational costs, and evolving regulations. Despite advancements in technology, not all new innovations have been embraced by the industry, which has often adopted a cautious, wait-and-see approach.

Cost Optimisation

According to Alpha's 2024 Global Operations Survey, **60% of asset managers are actively engaging in cost optimisation initiatives**, with this figure rising to **77% for larger firms** (those with >$200bn AUM)

Outsourced Operating Models

Alpha's 2024 Global Operations Survey indicates that **outsourcing remains a preferred strategy**, with functions traditionally managed in-house, such as Middle Office operations, increasingly being outsourced; **nearly 50% are now outsourcing their middle-office function**

AI & Automation

The adoption of AI and automation is a key focus for improving productivity and lowering operational costs, especially considering changing client preferences and the expansion of complex products. According to Alpha's Survey[1], **at least 25% of asset managers are utilising either generative AI, robotic process automation (RPA), or machine learning**

Transfer of Retail Investors to Platforms

There is an ongoing trend of **retail investors migrating to digital platforms, diminishing the traditional direct consumer relationship.** This shifts the focus for asset managers and their providers to institutional clients

Provider Costs

While outsourcing costs for some back-office functions have decreased over the years, **TA costs have either remained stable or increased slightly.** This indicates that TAs are not fully capitalising on new technologies and continue to depend on traditional cost-saving measures, underscoring a **significant opportunity for operational enhancement**

[1] Alpha FMC 2024 Global Operations Survey

Current Trends Shaping the TA Landscape

TA Market Landscape

TA functions are commonly outsourced and are expected to remain so in future, with limited appetite to bring these in-house due to the cost and complexity required. The market is largely occupied by a few large players which, given the focus on cost-efficiency and scalability, is likely to persist. The diagram below[2] shows the main TA providers for different subsets of managers in the UK, Ireland and Luxembourg. Traditional managers tend to predominantly use large custodian banks whilst private market managers and pension funds, insurers and wealth managers are generally more open to using other providers. Additionally, larger managers often also outsource their TA function to major custodian banks, while smaller managers prefer other providers. This preference stems from the comprehensive capabilities, scale, and global reach that large custodian banks offer to meet the needs of substantial global clients.

Ireland

Traditional Managers: MUFG, Brown Brothers Harriman, HSBC, Northern Trust, SS&C, waystone, BNY, J.P.Morgan, State Street, citi, CITCO

Private Market Managers: CITCO, Apex, Fund Rock, Northern Trust, usbank Global Fund Services, SS&C, BNY, State Street, SEI, Morgan Stanley

Pension Funds, Insurers & Wealth Management: BNY, Apex, Fund Rock, BNP Paribas, caceis Investor Services, State Street, citi, SS&C, Brown Brothers Harriman, Northern Trust

UK

Traditional Managers: FNZ, Computershare, waystone, citi, SS&C, IFSL Fund Services, HSBC, BNY, Northern Trust, State Street, Apex, Fund Rock, CITCO

Private Market Managers: BNY, caceis Investor Services, Northern Trust, evelyn Partners, State Street, waystone, Computershare

Pension Funds, Insurers & Wealth Management: SS&C, Northern Trust, EQ Equiniti, waystone, Computershare, Diligenta, FNZ, evelyn, Margetts Fund Management, IFSL Fund Services

Luxembourg

Traditional Managers: BNY, BNP Paribas, Northern Trust, SS&C, Societe Generale, Brown Brothers Harriman, J.P.Morgan, State Street, caceis Investor Services, citi, HSBC

Private Market Managers: CITCO, Aztec Group, Apex, Fund Rock, alterDomus, IQEQ, State Street

Pension Funds, Insurers & Wealth Management: SS&C, LanghamHall, Apex, Fund Rock, efa, Hauck & Aufhäuser, caceis Investor Services, Northern Trust, Edmond de Rothschild, Pictet

[2] Alpha FMC analysis of Monterey Insight Reports (UK & Ireland: 2024; Luxembourg: 2022), market documentation and regulatory documentation)
Inclusion based on the number of funds and managers serviced, focusing on those with greater than 7% of market share by assets or comprehensive fund/sub-fund coverage. Large global custodians with transfer agency capabilities in the relevant regions have also been included
Note that many of the providers service a wide range of clients, including other manager types

What Asset Managers Expect from TAs – and Why It Matters

What Asset Managers Expect from TAs – and Why It Matters

Overview

Client experience and data integrity remain core expectations, but emerging differentiators—real-time data access, scalable digital infrastructure, and support for platforms serving retail—are becoming essential to future-proofing transfer agency services. These capabilities are fast shifting from added value to baseline expectation.

With decades of experience supporting asset managers and providers through RFPs, RFIs, and due diligence processes, we have gained valuable insights into asset managers' key priorities during provider selection.

When selecting an outsourced provider, asset managers set high standards for both fund administration and TA services, prioritising reputation, scalability, pricing, and asset class coverage. While excellence in these areas can differentiate providers, a baseline level of quality is expected, especially from large custodian banks. To differentiate themselves, providers should focus on increasingly important criteria such as technology capabilities and the location of support teams as investment professionals increasingly expect TAs to offer tools that facilitate real-time self-service data access, along with a comprehensive global coverage model.

Fund Admin & Transfer Agent Selection Criteria	Core Expectation	Emerging Differentiator
Specialist Asset Class Knowledge Buyers seek specialist knowledge, particularly within the alternatives sector, where complexity demands deep subject matter expertise	✓	
Reputation and Credibility Signals trustworthiness, reliability, and verified expertise in managing funds efficiently	✓	
Technology Infrastructure Delivers user-friendly client interfaces, including dashboards, real-time data access, and secure portals, designed for transparency, accessibility, and ease of use		✓
Reporting and Insights Ensures the consistent flow of reliable data and clear reporting to inform strategic decisions	✓	
Client Relationship Model Offers a dedicated point of contact, delivering client-centric service with quick responsiveness and robust support	✓	
Scalability and Flexibility Ensures smooth expansion and adaptation to evolving fund needs, maintaining operational continuity	✓	
Geographic Presence Coverage teams are strategically located across various regions to address the countries of domicile that clients are interested in		✓
Ease of Implementation Capability to seamlessly integrate with external platforms and support efficient implementation processes	✓	
Pricing Offers competitive pricing while maintaining long-term sustainability	✓	

The primary motivation for TAs in pursuing these characteristics is to enhance the client experience, which has become increasingly vital in today's competitive landscape. In an environment marked by fee pressures and intensified rivalry, delivering an exceptional client experience is crucial for asset managers as it serves as a key differentiator. Any issues affecting the end investor can pose significant reputational risks, making it essential that these standards are upheld.

What Asset Managers Expect from TAs – and Why It Matters

Changing Client Needs

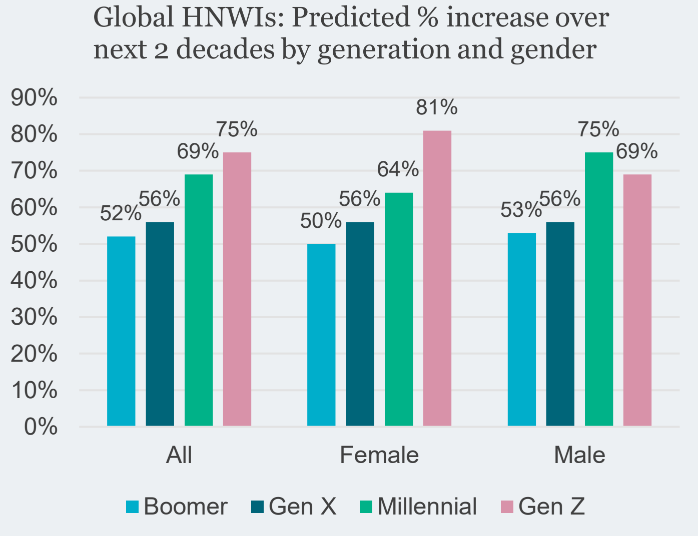
As retail books decline, platforms and institutions are taking centre stage — often housing the retail investors themselves. TAs must deliver the digital connectivity and data capabilities needed to serve this evolving client structure effectively

Client requirements and their interactions with TAs have shifted over time and will continue to do so:

Retail Clients:

An increasing amount of wealth is transferring to younger generations, women and those with wealth accumulated through the technology sector. Whilst the tipping point will not be for some time, the industry should prepare itself for the change.

The graph below[3] illustrates the projected growth of global High Net Worth Individuals (HNWIs), broken down by generation and gender. As expected, younger HNWIs are on the rise, with Millennials and Gen Z predicted to see the most significant increases. Notably, the largest percentage growth is expected among female Gen Z HNWIs, indicating that although the shift of wealth towards women has been gradual, it is anticipated to accelerate substantially in the future.



Demographics in this group tend to prioritise **self-service options** and **digital interfaces**, expecting the same simplicity and convenience they experience with everyday services like Airbnb, Amazon, and Uber. Younger investors, in particular, are increasingly interested in a wider range of investment options, such as ETFs, digital assets, and ESG funds. These types of investments are primarily accessed through investment platforms, which offer a more user-friendly and accessible way for investors to manage their portfolios. This shift is part of a broader industry trend, with **retail investors moving away from direct relationships with asset managers in favour of platform-based solutions**, now the dominant channel for retail investment.

Institutional Clients:

As a result of this shift, asset managers and their service providers are increasingly focused on addressing the needs of institutional clients. These clients require **advanced data solutions, seamless digital connectivity, and high-touch service models.** TAs must evolve to meet these expectations by offering sophisticated reporting capabilities, such as **real-time data feeds, detailed audit trails, and customised performance analytics**.

The complex demands of institutional clients often require **dedicated service desks to manage complicated queries and ensure tailored relationship management.** TAs are also expected to support multi-asset portfolios and navigate global regulatory landscapes, including tax reporting and compliance.

Discussions with some asset managers highlight growing interest in **leveraging wealth management channels** to reach investors. This would involve an institutional-to-institutional model, where the rapid provision of live, consumable data is essential. While not yet widespread, this approach is expected to gain traction—particularly among asset managers with a wealth management institution within their group structure.

This is not the only way in which institutional activity is expected to rise, and supporting seamless digital connectivity is a key priority for many providers, ensuring automated consolidation of data in real-time, and clear real-time data provision. Some industry layers are looking to leverage agnostic networks such as Babel to facilitate this.

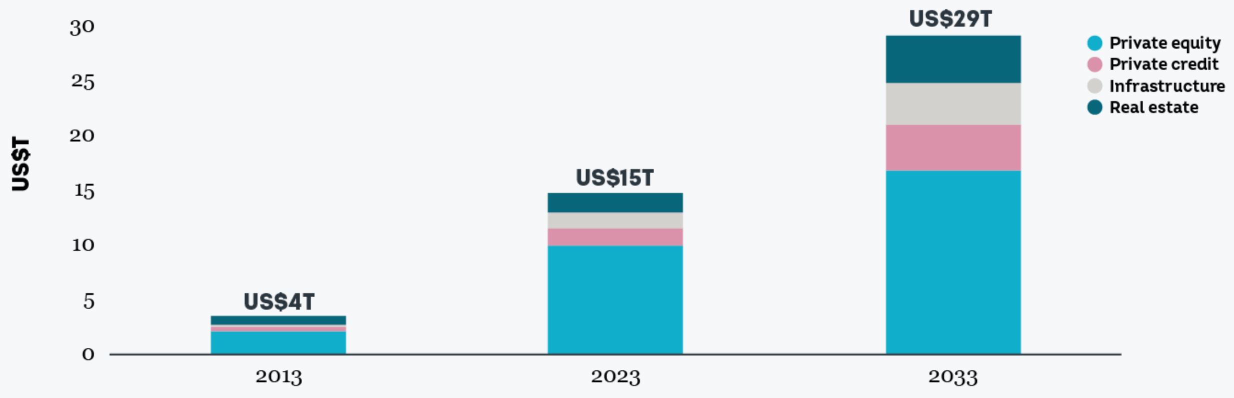
Furthermore, as institutional clients increasingly prioritise technology-driven solutions, TAs must adopt **scalable and adaptable systems** capable of supporting long-term growth and evolving demands.

[3] Knight Frank Next Gen Survey

What Asset Managers Expect from TAs – and Why It Matters

Rise in Demand for Private Assets

Cost pressures and consolidation continue to shape operating models. Reasons to maintain separate TAs for public and private assets are diminishing. While the shift towards diverse asset types may affect other areas more directly, TAs must still adapt to operational nuances as private asset servicing begins to mirror public asset standards.



Assets under management in the private markets are experiencing significant growth and are expected to continue expanding at a robust pace, as outlined by the chart above[4]. According to data from Morningstar, private markets are projected to outpace traditional investment strategies in revenue by 2027, with growth driven by private equity, private credit, and real assets.

The preference for a "one-stop-shop" setup discussed on the next page extends to private funds and semi-liquid assets, as **managers seek providers capable of serving all fund types through a single source**, rather than relying on a fragmented model. This presents a **significant opportunity for providers to offer consolidated services across both public and private assets.**

An increasing number of major global asset managers are consolidating their TA services with a single provider. This shift is expected to favour large custodian banks that have the capacity to meet the diverse needs of large asset managers, including servicing semi-liquid funds.

While smaller specialist providers are entering the market, some lack the ability to service all fund types, often focusing only on closed-ended funds. Although these providers are aware of the need to enhance their offerings to accommodate semi-liquid funds, a pressing question remains: will they achieve this before the growth of private assets takes hold, and can they compete effectively with established custodian banks with both scale and experience?

The influx of retail investors into private assets adds complexity for providers traditionally focused on a limited number of institutional clients. As HNWIs seek exposure to private markets, TAs may face increased onboarding volumes. HNWIs often present more intricate onboarding requirements and have heightened expectations for transparency and information access, **expecting real-time or daily updates similar to those provided by public funds.**

Additionally, in the private markets, the selection of a fund administrator is not solely determined by the fund manager; underlying investors can influence this choice and may have strong preferences based on past relationships or specific operational needs. This underscores the **importance for providers to understand investor expectations and cultivate strong relationships with both fund managers and investors** to secure and retain business.

[4] Blackrock 2025 Private Markets Outlook

What Asset Managers Expect from TAs – and Why It Matters

Other Key Priorities

Strategic decisions relating to operating models, consolidation, regulation and commercials sit at the heart of how asset managers select TA partners. Decisions are shaped by both macro and micro factors but choices are increasingly driven by flexibility, expertise, and innovation from TAs, labour arbitrage alone no longer cuts it!

One-Stop-Shop Solutions

A significant trend is the **increasing preference for provider rationalisation, as firms opt to engage a single provider for all back-office operations**. According to Alpha's research[5], **83% of asset managers in Ireland and 76% in Luxembourg** utilise the same provider for both fund administration and TA services.

As asset managers increasingly seek "one-stop-shop" solutions, the industry is witnessing **providers that traditionally offered only TA services expanding their offerings** to include fund accounting and a broader range of services.

Regulatory Considerations

As regulatory complexities rise, TAs must ensure their operating models comply with regulations while assisting asset managers in fulfilling their obligations. Although asset managers ultimately bear compliance responsibility, they increasingly depend on TAs to demonstrate robust systems that meet regulatory requirements.

With the UK and EU preparing to adopt a **T+1 settlement cycle** in 2027, there is an urgent need for TAs to **eliminate manual processes and implement real-time workflows**. While TAs won't solely drive the T+1 transition, they risk becoming bottlenecks if unprepared. The market demands a **"network of networks" to integrate the ecosystem, facilitating seamless connections among fund networks, trading counterparties, and TAs.** There are a variety of options to achieve this including investment in advanced technology or a shift toward a centralized model similar to the U.S. system. The current framework poses risks, as issues with key platforms can lead to delays across the industry. Transitioning to a comprehensive connectivity model could address current challenges while minimising disruption compared to alternatives like DLT, which is some years away from widespread adoption for reasons outlined later in this paper.

For TAs, this **necessitates enhancing technological capabilities and operational efficiencies** to meet regulatory changes and market demands. By adopting a streamlined operational model, they can position themselves as essential partners in the evolving financial landscape while effectively meeting asset manager expectations.

Global Models

Larger asset managers are increasingly pursuing **integrated, global TA models** that facilitate the efficient distribution of funds across multiple domiciles. To meet these evolving needs, TAs should concentrate on developing strategies over the next few years aimed at establishing a truly global model that provides **localised services** tailored to the diverse requirements of their asset manager clients.

Commercial Competitiveness

In addition to the factors mentioned above, managers prioritise cost efficiency, requiring TAs to operate effectively. This involves developing **smart, adaptable workflows that can scale to meet evolving demands**.

[5] Based on recent Monterey Reports

How TAs Can Adapt to Evolving Asset Manager Needs

How TAs Can Adapt to Evolving Asset Manager Needs

Exploring the Options

There's no single path to adapt, but many future-facing strategies are anchored in technological advancement and the drive for self-service fulfilment by clients.

1 From Offshoring to Automation

To minimise costs, many companies in the financial services sector have relied on offshore and nearshore teams, particularly from cost-effective regions like India and the Philippines. While this strategy has helped to manage expenses, it poses scalability challenges, often leading to increased headcount as demand rises.

As automation gains traction in the industry, its widespread adoption would **reduce reliance on offshore teams** for some organisations, particularly for processing and administrative tasks that are suitable for automation. Some providers are already transitioning to technology-driven solutions that replicate user workflows with allowances for exception management.

Ultimately, the decision between automation and offshoring will depend on cost and accuracy considerations, with a **hybrid approach** expected over the next five years, potentially leading to leaner offshore teams supported by automation for enhanced efficiency.

2 Consolidations and Partnerships

The provider market has experienced consolidation and partnerships, leading to a smaller number of firms operating at a larger scale. If executed effectively, such strategies can yield three primary benefits: **reduced costs, expanded service offerings, and enhanced specialised capabilities**. Existing providers will continue to rise to any challenges.

The financial services sector is increasingly transitioning towards service bundling as a response to financial pressures and the need for cost optimisation. TA operations have lower profitability, which can become more manageable for providers when bundled with higher-margin complementary services like Custody, depositary or lending and foreign exchange services.

For asset managers, the push for consolidation seeks to create **simplified operating models that minimise risks and improve service management**. Those opting for fewer providers are witnessing **stronger strategic relationships, improved service levels, and lower costs from greater scale**. Regarding partnerships, these are used to enhance their capabilities, **filling gaps** such as the ability to service private assets and **addressing specific inefficiencies**, such as AML/KYC compliance.

3 Embracing Technological Change

While the industry is poised for significant transformation, this change is unlikely to occur swiftly, with an inflection point expected in a decade rather than five years. In the long term, the landscape could be vastly different, featuring DLTs, centralised models, and a new generation of investors. The outlook for the next five years is more subdued. **What do we expect to see for TAs in 2030?**

How TAs Can Adapt to Evolving Asset Manager Needs

Embracing Technological Change

There's no single path to adapt, but many future-facing strategies are anchored in technological advancement and the drive for self-service fulfilment by clients.

Client Portals

2030 Expectation: Industry Standard

- Clients increasingly expect client portals that provide more than basic features like balance displays and statement downloads. They seek platforms that allow **interaction across all touchpoints, offer 24/7 access, and deliver accurate real-time information**
- Some providers have faced challenges during the selection process due to the absence of a client portal or limitations regarding visibility and the ability to interrogate and verify data. Market leaders have developed robust portals, often utilising proprietary technology. Advanced solutions typically offer functionalities such as **data filtering, audit trails, drag-and-drop capabilities, real-time status tracking and transparency into pricing, P&L, NAV, and reconciliations**
- By 2030, these functionalities will likely become standard, with **providers who fail to meet these expectations considered inadequate.** To differentiate themselves, providers must cater to the diverse needs of their clients, allowing for dashboard customisation and offering advanced data analytics and reporting for improved insights

Digital Onboarding and BAU Compliance

2030 Expectation: Industry Standard

- In response to growing regulatory scrutiny, asset managers are increasingly emphasising **robust AML and KYC processes**
- By 2030, we expect that cumbersome manual account openings will give way to a **unified digital platform for onboarding, registration and beyond**. Digital AML and KYC solutions are now available, some as standalone offerings, showcasing the focus on deeper and more integrated solutions within the operating model

Automation

2030 Expectation: Commonly used for specific use cases

- **Efficiency and Automation was the highest priority** of asset managers in Alpha's 2024 Global Operations Survey. From single task automation to Robotic Process Automation (RPA) to Business Process Automation (BPA), various forms of automation can significantly reduce costs, minimise risks, and boost productivity
- By handling end-to-end workflows and incorporating complex decision logic, BPA in particular has the potential to drive significant change in the industry. If implemented correctly, whole processes, such as client onboarding, trade settlement, and reporting, can be automated and streamlined, reducing errors and processing time. This **enables TAs to focus on more value-driven tasks**, such as client relationships and experience

How TAs Can Adapt to Evolving Asset Manager Needs

Embracing Technological Change

Artificial Intelligence (AI)

2030 Expectation: Commonly used for specific use cases; experimentation and initiatives underway for more advanced forms of AI

- According to Alpha FMC's 2023 Global Data Survey, generative AI is being deployed, planned, or tested mainly to **improve operational processes** (71%) and **enhance client service** (57%). As asset managers prioritise these areas, it is crucial for TAs to align their strategies accordingly
- **Many providers are exploring various AI applications**, including photo recognition, video-based identity verification, AI-enabled call routing, and advanced chatbots. Machine learning is also being used to identify suspicious transactions, flag high-risk investors, and predict peak transaction volumes
- We anticipate that **AI will increasingly influence TAs**, especially with the emergence of Agentic AI. While broad adoption will take longer than five years, we could one day see the rise of AI-driven analysts, automated relationship managers, and AI customer service agents capable of handling inquiries through voice calls and video interactions

Blockchain / Distributed Ledger Technology (DLT)

2030 Expectation: Area of focused investment, with parallel runs being carried out by some, however yet to be widely adopted or replace mainstream systems

- The idea of a **single, global platform** is gaining traction in the industry. Key functionalities include enabling cross-jurisdictional investments, providing real-time updates to fund registers, and managing regulatory complexities, all while accommodating diverse currency and language needs. Blockchain technology is expected to play a significant role, with tokenisation offering the potential to accelerate fund launches and significantly reduce operational costs across areas such as fund accounting and transfer agency
- However, before blockchain can become mainstream, **regulatory bodies must establish a comprehensive framework** for its integration into financial services. **Clear guidelines** will be essential to help market participants navigate the new landscape and reduce uncertainty, which often hampers innovation
- The exact timeline will depend on the **regulatory landscape, technological advancements, and the readiness of industry participants to embrace change**. Providers and the broader market must ensure that using blockchain provides a substantial unique benefit before implementing a complete overhaul. As widespread transformation approaches, TAs should begin developing strategic plans now, as those who adopt blockchain effectively and promptly are likely to emerge as industry leaders

How TAs Can Adapt to Evolving Asset Manager Needs

Technological Transition

TAs have made significant strides in adopting technology over recent years and there is strong evidence that digital transformation can deliver extensive benefits to financial institutions. Yet, what will be the timeline for realising these advantages?

Although there is considerable excitement surrounding emerging technologies like Blockchain/DLT and Generative AI, their impact on the industry by 2030 is expected to be **incremental rather than revolutionary**. The transition will be gradual, primarily driven by **hybrid models** that integrate digital tools into existing infrastructures for specific applications. **Parallel runs** may also be adopted, allowing for simultaneous execution of processes on both new and traditional systems, such as blockchain alongside standard models.

So what should TAs be focusing on today? While TAs should remain attentive to emerging technologies, they must also **prioritise addressing the key pain points that persist in the industry today** and evaluate the options currently available to them.

The diagram below outlines today's critical challenges. By prioritising these foundational elements, TAs can create a more robust framework from which they can leverage advanced technology in the future.

1 Data

- Biggest source of inefficiency in Transfer Agency due to inconsistency, duplicate records, poor quality & accuracy of data
- Lack of real-time access to view intraday flows, whole book of business and individuals funds across a client
- Limited ability to draw insight from available data (fund & investor), thus foregone opportunity to inform better decision making

2 Connectivity

- Interfaces from TA to external parties, government bodies etc. are often suboptimal
- Linkages between core TA engines and supporting systems can be suboptimal, increasing operational risk and delays in provisioning data to clients & investors
- Comprehensive API integration roll out, in demand by both clients and their investors (e.g. advisors into their back-office systems) is occurring at a slower pace than desired

3 Digitisation

- Limited focus on digitisation initiatives to streamline client oversight activity of TA and simplify monitoring
- Functionality within digital tools / portals not always delivered with a user-centric approach and thus is not intuitive for use
- Digital capabilities for end investor use don't deliver to the full suite of requirements across dealing, reporting and client service asks

4 Onboarding

- Manual processing for account opening and maintenance remains in servicers operating models
- Lengthy registration process for Distributors, with duplicate reviews for when existing investors enter fund ranges in different jurisdictions
- Lack of appropriate technology and limited adoption of emerging applications to streamline AML / KYC, and granular knowledge of local regulation differences

5 Client Servicing

- Insufficient capacity and ability to cater for enhanced call opening times and additional language requirements
- Lack of appropriate training for client service teams on various jurisdictions and availability of prescriptive procedures to minimise volume of complaints
- Insufficient complaints handling process, with poorly defined roles & responsibilities, making exceptions handling for client oversight teams more cumbersome

6 Dealing & Settlement

- Lack of timeliness and efficiency in rooting large volumes of manual trades to appropriate workflow within operating models
- Support for a wide variety of cash settlement options is challenging, as well as managing large reconciliation volumes
- Difficult in managing bespoke investment requirements from clients across jurisdictions

How TAs Can Adapt to Evolving Asset Manager Needs

Technological Transition

Some Asset Managers will seek large transformative change but for most of the sector it will be incremental change at pace that is likely to reap the most benefits. Less revolution and more continuous change.

What approaches can TAs employ to leverage technology in addressing these challenges?

MAGNITUDE OF CHANGE

	Description	Benefits	Drawbacks
Add-Ons To Existing Systems	→ Minor upgrades / point solutions → No change to core system → Bolt on tools for specific use cases (e.g. ID checks)	✓ Lower costs ✓ Quick implementation ✓ Low risk as easily reversible in future ✓ Minimal disruption to operations ✓ Effective for quick wins	✕ Does not fix underlying issues ✕ Low scalability ✕ Generally smaller impact to overall system
Orchestration Technology	→ Automation of workflows across systems → No overhaul of current system → Usually involves use of APIs, Business Process Automation with Business Process Management and/or workflow tools → Modular – uses independent components that can be plugged in or replaced	✓ Can streamline complex business processes ✓ Enables end-to-end automation ✓ Highly scalable and flexible ✓ Little disruption to operations ✓ Improves process visibility and control ✓ Allows TAs to start with small, incremental change	✕ Requires integration readiness ✕ Risk surrounding complexity of integrations ✕ Initial setup can be complex without effective external support
Phased Re-Platform	→ Platform is gradually replaced by new system → Done in phases, such as process by process or team by team → Carried out as a parallel run for some time	✓ Enables full digital transformation with reduced disruption ✓ Long-term change and benefits ✓ Eliminates legacy system limitations and issues ✓ Often enables new capabilities and addresses key problems ✓ Can act as a strong differentiator among competitors ✓ Lessons can be learned and corrected along the way	✕ High costs ✕ Duplicate work may need to be done during parallel runs
Large Transformational Project	→ Complete overhaul of core system → Legacy systems and operating model replaced by new platform and associated operating model	✓ Enables full digital transformation ✓ Long-term change and benefits ✓ Eliminates legacy system limitations and issues ✓ Often enables new capabilities and addresses key problems ✓ Can act as a strong differentiator among competitors	✕ Very high costs relative to alternate approaches ✕ Benefits can take a long time to be realised ✕ Likely to cause disruption

Quick Wins Incremental Transformational

No single approach is universally superior. TAs must assess their unique requirements, specificities and timelines to identify the best solution. Budgets are often a defining factor, especially in light of recent geopolitical events and fluctuations in interest rates, which have placed organisations in varying financial positions. While the **transformational approaches** present exciting possibilities, the benefits of the other options should not be disregarded, particularly for those aiming for cost efficiency and quicker gains without a complete system overhaul.

Conclusions

Conclusions

There is no doubt that the TA landscape will continue to evolve, and while transformational change is unlikely in the next five years, emerging client demands must be addressed by TAs promptly. Early responses to these challenges will enhance the value provided to clients and improve competitive positioning in the market.

Five calls to action

1. **Balance Current Needs with Future Innovations:** Given that transformative changes in TA models may take longer to materialise, firms should strategically explore and integrate AI and DLT solutions, alongside immediate enhancements to existing digital capabilities. Organisations cannot however stand still

2. **Prioritise Cost Optimisation:** In light of the emphasis on maintaining lower costs, TAs must consider whether the future is in offshoring or technology solutions to enhance productivity and automate processes, or if there is room for both

3. **Enable Real-time Data and Seamless Connectivity:** As the UK and European markets transition to T+1 settlement and investor demand shifts from traditional mutual funds, TAs must adapt to operational changes to avoid becoming bottlenecks and strengthen their capabilities to meet the unique requirements of different asset classes

4. **Enhance the Client Experience:** TAs should focus on redefining the client experience by offering digital, seamless interfaces and self-service capabilities, ensuring they meet the growing expectations of clients for convenience and efficiency

5. **Adapt to Shifting Investor Preferences:** As demand for alternative investments, ETFs, and ESG products continues to grow, TAs must strengthen their capabilities by either developing in-house solutions or forming strategic partnerships to meet the unique requirements of these asset classes

enquiries@alphafmc.com, +44(0) 207 796 9300

www.alphafmc.com

The Alpha Group provides a comprehensive range of services across the asset and wealth management industry. Our team of 1000+ consultants work around the globe to help our clients solve their business, operational and technology challenges. This report is based on interviews, Alpha knowledge and industry experience. We would like to thank all our colleagues for their expert contributions.

For more information please contact:

enquiries@alphafmc.com, +44(0) 207 796 9300

www.alphafmc.com

Alpha