

The changing shape of the fund administration landscape

Insights - 11/06/2024

In the evolving landscape of fund administration, the industry is witnessing significant shifts that are reshaping its future.

These insights highlight key trends such as the increasing reliance on outsourcing across the globe.

| The evolving fund administration landscape

Whilst outsourcing has been common in Europe for some time, over the past five years we have seen a marked increase in outsourcing in the US and Asia. This trend is likely to persist as regulation continues to proliferate.

There has also been significant consolidation over the past three to five years, resulting in a number of very large providers within the marketplace. Those large providers are ideally suited to servicing large capital asset managers, but they don't necessarily have the people or processes to service smaller firms. We are therefore seeing both existing and new boutique fund administrators taking advantage of the opportunity to provide bespoke services to this client set.

| Leveraging technology and the relevant opportunities and challenges

The asset management industry has been relatively slow in taking up new technologies when compared to the banking sector, as an example, which embraced fintech much earlier on. That is now changing and the way fund administrators are leveraging technology has become a top priority for managers. At a basic level, that means fund accounting and administration systems, and corporate secretarial processes and systems. Managers are also focusing more heavily on the data that fund administrators hold on their behalf, and the ways in which they can access

that data, analysing and utilising it for optimal benefit.

Additionally, administrators are now adopting AI to streamline repetitive tasks internally, freeing professionals to provide higher added value, and externally, offering clients AI technology to manage data and queries efficiently, reducing traditional email-based communication.

Technology is now at the forefront in request for proposals (RFPs) we receive, previously ranking much lower in priority. In particular, managers want to understand how technology can be used to improve the investor experience, from onboarding through to ongoing communication; AI can definitely help in that process. These are exciting times for the industry.

Talent shortages impacting service culture

The pandemic may have heightened the talent issue, as it has in other sectors, but attracting and retaining talent is a challenge that has been around in this industry for some time. We believe that tech can be very useful in this regard. The younger generation are interested in technology and how it can be utilised, so they are looking for employers with an innovative culture and the willingness to listen to ideas. The culture of the organisation generally is also very important, including a flexible working policy. This is something that Ogier places a lot of emphasis on.

We are very focused on ensuring tech training throughout the business. It is important that individuals across all ranks know how to use our systems and that they are involved in making improvements. After all, they are the ones that are using the technology day in and day out.

Historically, technology required a great deal of institutional knowledge but fund administrators, and particularly smaller fund administrators, now recognise the importance of making tech as user friendly as possible. That mitigates the risk of institutional knowledge leaving the business because new starters can pick up the tech very quickly.

Trends that are impacting GPs' administration needs today

Regulation is clearly impacting fund managers' needs in terms of the reporting requirements in different jurisdictions globally. It is not just fund administration books and accounts that are being outsourced today, ESG functions and regulatory compliance are as well. We are also seeing a lot more demand for outsourcing from investors themselves. Investors expect to see that independent, third-party review process in place and that is driving GPs to bring in outside administrators as well.

Cost is, of course, another consideration. We are clearly in the midst of a relatively tough economic environment, so managers are looking at where costs can be taken off the balance

sheet through outsourcing. Finally, I would say that rather than simply providing back-office support, administrators are now being asked to take on traditional middle office functions such as compliance and portfolio monitoring.

Evolving relationships of fund managers and administrators

Administrators will increasingly be viewed as partners, not just vendors. Managers expect their administrators to have detailed knowledge of their structures and their ways of doing business. They also expect administrators to be proactive, rather than reactive, providing advice around regulatory changes and the best practice they are seeing in the market, for example. This is no longer simply an instruction-based relationship.

In addition, clients are not only looking to understand our tech capabilities and people strategy as it exists today, they want to know what our roadmap is for the next three to five years with a view to forging long-term relationships. They are also interested in understanding the culture of the administrator and whether or not it aligns with their own. Again, this is to ensure a long-term partnership can develop.

David Harvey adds "I have been working in this industry for almost 15 years and historically the focus was very much on service provision. Now, I completely agree, it has become a partnership. Managers are interested in what we are doing with other clients given the complex and evolving regulatory landscape. They are keen to forge long-term relationships with administrators that have the right people, systems and innovative ways of working, leveraging their knowledge and experience in navigating those challenges."

This article first appeared in Real Deals Fund Admin Report.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

Disclaimer

This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

Regulatory information can be found under [Legal Notice](#)

Meet the Author



David Fowler

European Head of Fund Administration

London

E: david.fowler@ogier.com

T: [+44 203 835 9510](tel:+442038359510)

Key Contacts



David Harvey

Director

Jersey

E: david.harvey@ogier.com

T: [+44 1534 514233](tel:+441534514233)

Related Services

Corporate and Fiduciary

Fund Services - Ogier Global

Fund Administration

Ogier Global