

## insights:

# INTERVIEW: NAVIGATING CHALLENGES AND OPPORTUNITIES FOR INSTITUTIONAL ASSET MANAGERS

**While investment operations may seem like a small piece of the puzzle, it can be critical meeting investor needs, increasing efficiencies, and setting the stage for future growth.**

Institutional asset managers are navigating a landscape that presents both challenges and opportunities, including heightened regulatory scrutiny, elevated client expectations, changing interest rates and strong equity market performance. While investment operations may seem like a small piece of the puzzle, it can be critical meeting investor needs, increasing efficiencies, and setting the stage for future growth.

To explore the impact of investment operations on institutional asset managers, we spoke with Bill O’Toole, Senior Vice President and Senior Account Executive, and John Cushing, Senior Vice President of Service Delivery at Archer. They shared insights into what they hear from Archer’s clients and how strategic outsourcing and partnerships can pave the way for success.

**To get us started, what are the main differences between how Archer supports institutional asset managers’ operational needs as compared to the needs of managers focused on the intermediary market?**

**BILL:** As the Senior Vice President of Business Development, I interact with a wide range of asset managers — some are institutional, some are in the intermediary or retail channel, and some span both, what we refer to as multichannel. The primary difference lies in the level of complexity within the investments. It’s definitely more detailed and specialized in the institutional channel compared to the retail market, where the main challenge is volume.

**JOHN:** From the perspective of Archer’s Service Delivery team, which services both institutional and retail

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## CONTRIBUTORS



Bill O’Toole

**SVP, SENIOR ACCOUNT EXECUTIVE**

As a Senior Account Executive with more than 30 years’ experience supporting investment managers, Bill leads Archer’s Business Development Team. He and his team work with asset managers looking to streamline operations, launch new products, and expand distribution.



John Cushing

**SVP, SERVICE DELIVERY**

John Cushing is Senior Vice President of Service Delivery, where he brings more than 20 years of experience to his oversight of Archer’s Reconciliation, Corporate Actions, Security Master and Pricing, and Performance teams, servicing both Institutional and Retail SMA clients.

accounts, I can attest to that. For large institutions, whether it’s mutual funds or commingled funds for pensions, we deal with larger sets of assets but fewer accounts, requiring greater precision and granularity. In retail, the focus shifts more towards aggregating information due to the higher volume of accounts.

## What are some challenges institutional asset managers face?

**JOHN:** Market volatility and economic uncertainty put additional pressure on asset managers to be agile and responsive. The increased complexity of financial markets, with a wider array of investment products and more sophisticated trading strategies, also adds to the operational burden. Technological advancements offer opportunities but require significant investment and expertise to implement and maintain.

**BILL:** On top of that, regulatory environments are becoming more stringent, especially around ESG, data protection, and fiduciary responsibilities. Managers must keep up with frequent regulatory changes and conduct thorough due diligence on third-party partners. This due diligence is critical but can be costly and challenging. Competition in the asset management industry is intensifying, pushing firms to continuously improve their operations.

## How do these challenges impact the way asset managers approach operations?

**JOHN:** Managers are under pressure to optimize efficiency and manage costs without compromising service quality. This involves streamlining processes, reducing manual interventions, and leveraging automation. Institutional asset managers typically prefer to retain more control and will invest in resources to support these portfolios. However, the expenses can be substantial, so ensuring that there are processes in place to prevent, identify, and resolve errors is critical, as it can have a significant impact on products like mutual funds and related downstream processes.

**BILL:** From a data management and integration perspective, the sheer volume and variety of data sources make effective data management critical. If they are not set up correctly, institutional managers can struggle with integrating disparate data systems, ensuring accuracy, and making real-time data-driven decisions. Timeliness and precision, especially with external data, are crucial as they monitor every basis point of return. The other aspect is related to operational systems. The cost, time, and expertise required to implement and maintain new systems can be extremely daunting. If you layer in the need to understand the implications of tools like AI, machine learning, and blockchain, it can become very resource intensive.

## How is Archer helping asset managers address these challenges?

**BILL:** Our aim is to help institutional asset managers streamline operations so they can focus on strategic functions and growth. We do this by providing a complete solution focused on core needs such as accounting, reconciliation, and reporting. We also ensure effective data management and full integration with a wide range of trade order and portfolio management systems. Finally, Archer's **team of experts** stay plugged into the changing needs of our clients and the industry to stay ahead of required industry changes, technology management, and staffing to support growth.

**Competition in the asset management industry is intensifying, pushing firms to continuously improve their operations.**

**JOHN:** As asset managers grow, their operational processes need to scale efficiently. Many firms find it challenging to build scalable operations that can handle increased volumes and complexities without sacrificing service standards. Archer meets these needs with a complete middle office solution that, as Bill explained, allows our clients to shift the focus from managing operations to strategic oversight and investment performance.

There is also increasing demand for detailed, transparent, and timely client reporting. By working with Archer, asset managers can ensure that they are meeting client expectations and regulatory requirements with accurate and comprehensive reports.

## What opportunities are ahead for institutional managers?

**BILL:** Institutional managers are seeing ongoing appetite for **values-based investing**, **tax optimization**, and **direct indexing**. From an operational standpoint, this brings an increased focus on data quality and standardization. While volume isn't as big of an issue as they are in the intermediary channel, institutional managers do have the added complexity of non-US instruments. Global market complexity, volatile markets, geopolitical changes, and economic uncertainties are also factors.

Another trend we've observed is that more institutional asset managers are seeking to **enter the intermediary**

**market.** Individual investors are now looking for solutions that traditional mutual funds and other retail investments don't typically offer. With innovative thinking and advanced technology, these solutions are increasingly being provided by managers who traditionally focused on institutions.

**JOHN:** To echo what Bill said, customization has been a big trend, and managers are using different types of instruments to facilitate that strategy on a grander scale. Our clients are increasingly looking to deliver personalized investment strategies and real-time reporting. Meeting these expectations requires sophisticated portfolio management systems and a high level of customization—areas where Archer excels.

### **What do institutional asset managers need to consider when they prepare to take on some of these opportunities?**

**BILL:** For managers operating in global markets, it's critical to understand how trading operates in local markets. Understanding reporting and compliance requirements and having the technology and processes in place to adhere to these requirements is crucial. This is one reason many institutional asset managers choose to partner with Archer.

There are also frequently changing operational requirements. For instance, requirements around trade settlement recently changed from T+2 to T+1. Depending on the manager, this could be a big shift, but at Archer, this is core to what we do, which made for a **seamless change for our clients.**

**JOHN:** Prioritization is key. Knowing up front what aspects of operations will require the most involvement and oversight will save time and money in the long run. For example, if customization is the top priority, it is important to have the right skills and technology to manage integration of various complex data sources. Archer does a great job with managing data at scale. Additionally, many asset managers are looking for advanced reporting tools and capabilities to meet client demands for detailed and real-time information, which is something our clients increasingly rely on us to provide.

### **What should asset managers consider when it comes to outsourcing or partnering with a service provider like Archer?**

**JOHN:** There are aspects of the institutional business that are more sensitive than others. For example,

reconciliation tends to have similar processes and reporting, across channels, whereas trade settlement tends to be more nuanced on the institutional side. For this reason, asset management teams may want to be more engaged in those processes. At Archer, we work closely with institutional managers to ensure we are supporting them in the most effective way, tailoring our outsourcing services to meet their unique needs.

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**BILL:** Institutional managers want to ensure that their sensitive client information is well protected. Archer has many processes, systems, and requirements in place to address this, including data encryption, the ability to restrict who can access what data, and multi-factor authentication.

Managers should also think about costs and data migration. In many cases, outsourcing proves to be less expensive when considering the oversight and resources required for internal management. As far as the data, our experienced onboarding team uses a proven transition plan that minimizes risk while efficiently converting data. The benefit of all of this is that asset managers can take on the role of oversight and have more of a strategic impact in their business while we handle the operations.

## DOWNLOAD

an overview on Archer's services for Institutional Asset Managers [here](#).