

Workflow Magazine

INDUSTRY INSIGHT AND VIEWS FROM THE STATPRO
BLOG AND CONTENT LIBRARY

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Industry insight and views from the StatPro blog and content library



INTRODUCTION

What lies ahead

When looking towards 2019 and what lies ahead for asset managers and service providers alike, we can look forward to an exciting growth period in the asset management industry.

As firms look to take advantage of all the new market opportunities, there are a number of factors to consider to ensure that firms can make the most of all these new opportunities. Asset managers are under immense pressure when it comes to fees which is why we will continue to see an increase in the number of firms looking to outsource and make use of managed services, not only to manage their costs, but to also add additional value for their clients.

Coupled with this growth however, there is still a level of uncertainty to contend with. The uncertainty we are currently facing when it comes to political and economic market related events, in particular Brexit and trade wars, shows how important it is that firms take advantage of the tools at their disposal to help them better assess all potential risks as well as to better understand what impact these events may have on their portfolios.

Regulation is a further factor to consider as it shows no sign of easing up; it makes for an interesting time within the industry. We hope you enjoy this edition of Workflow magazine where we discuss the above in more detail. To view all our blog content, visit blog.statpro.com.



Happy holidays from all of us at StatPro!

Michelle Earp
Global Head of Marketing, StatPro

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Happy holidays from StatPro

NEW STRUCTURE FOR THE STANDARDS

The impact of the proposed changes in GIPS® 2020

As we wrote about in our recent [eGuide](#), the first major revision of the Global Investment Performance Standards (GIPS®) in more than a decade is underway.

Known as GIPS® 2020, the project aims to bring the standards closer to universal acceptance by asset managers, asset owners and regulators, by filling the gaps that currently exist, eliminating the unnecessary elements and correcting misinterpretations where they previously existed.

Whilst some of the content in the new standards will remain unchanged, large swaths of GIPS® will be revamped and rewritten. The public comment period is still upon us (ending December 31, 2018) to garner feedback on the draft version of GIPS® 2020. With that in mind, let's take a look at some of the most notable proposed changes so far.

The current GIPS® structure focuses solely on firms, despite both firms and asset owners claiming compliance. The GIPS® 2020 proposed draft addresses this issue with a new structure that includes sections for both firms and asset owners, enabling those claiming compliance to refer directly to their relevant sections and eliminating the need to review non-applicable provisions.

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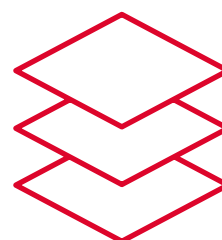
NO MORE LACK OF TRANSPARENCY

Transparency and usability are key for fixed income platforms

The explosion of data in fixed income markets has changed the way that portfolio managers have traditionally operated. Manual spreadsheets no longer cut it, and firms that want to stay ahead of the competition need to invest in cutting edge data and analytics technology.

It is not just simply about investing in technology – fixed income managers need transparency too, as it is critical to every portfolio manager that the numbers they are using to make investment decisions are accurate, and that they have the tools necessary to investigate anomalies or to go back in time to research a conclusion.

New regulations – and future ones to come – also make transparency a critical part of a money manager's job. As noted by Nasdaq, new requirements such as MiFID II are increasing pre- and post-trade transparency requirements on a broad range of financial instruments and markets that previously traded with limited transparency.



While the lack of transparency has traditionally been accepted – even encouraged – by some in the fixed income markets, that mentality is falling by the wayside, as support for post-trade transparency is on the rise. One poll of senior buy- and sell-side market participants found that 72% of European capital market participants believe that there is not sufficient transparency in the European fixed income markets. Furthermore, pre-trade transparency is an issue that is top of mind to the SEC, and was recently discussed in a Fixed Income Market Structure Advisory Committee meeting over the summer.

Regardless of regulatory pressures, transparency can be quite useful to the PM when challenging conclusions or going back into the data to see where and how it was derived, attributed or built – both of which better inform future decisions and can help answer difficult questions when dealing with LPs, DDOs and similar forms. Transparency is essential in modern institutional finance, and tools such as StatPro Revolution can enable managers to help rather than hinder.

THOUGHT LEADERSHIP SERIES

How to stress test the upcoming Brexit and trade wars

Brace-brace-brace: how to prepare for the two self-inflicted storms barrelling down on markets

The populist / nationalist wave sweeping Western democracies has resulted in two interrelated and global market affecting phenomena: the UK-led Brexit and the US-led Trade Wars.

Our latest article looks at:

- FX and equity options markets provide insight into how markets might react to either a "Deal" or "No Deal" Brexit
- While markets are trading consistently with a slight prediction towards a "No Deal" future, the market movements in either case are likely to be large
- Brexit's next phase will likely see large market movements that can be stress tested well in advance of actual market gyrations
- The US-led trade wars are likely to spur a flight-to-quality, parts of which may be counter-intuitive
- While the entire world will suffer economically if these trade wars persist, it's the US that is likely to come out the relative winner
- Trade wars, like Brexit, can also be stress tested with our suggested market movements

FX AND EQUITY OPTIONS MARKETS
PROVIDE INSIGHT INTO HOW
MARKETS MIGHT REACT TO EITHER
A "DEAL" OR "NO DEAL" BREXIT

GETTING COMPLEX WITH THE DATA

Industry heads discuss the challenges in asset servicing

“The industry is so used to talking about what they do and not what they’re trying to achieve. You need to ask businesses where they’re trying to get to, not where they are.”

Following on from The Summit for Asset Management (TSAM) earlier this year in New York, we caught up with Eric Bernstein, the President of Broadridge Asset Management Solutions and Steve Powell, the Senior Business Development Manager at StatPro to discover more about the recently published eGuide, examining the essentials of asset servicing – both today and tomorrow.

Judging by the research presented in the [Asset Servicing: Challenges & Opportunities in Middle Office Outsourcing eGuide](#), the volume and complexity of data is expected to continue growing at the same rate as it is now. “From StatPro’s perspective, we’ve seen this level of growth in terms of how complex the input data is. This has come from the portfolio all the way through to the complex output and the reporting data that people are expecting to see,” Steve clarifies. “We’ve seen more transparency and requirements to acknowledge what is going on within the portfolio. Another thing to understand is that the investment strategy has changed; our clients are investing in different ways now.”

Meet the Leaders in The-Know

Eric Bernstein runs the global asset management division for Broadridge – a \$12-billion-dollar market-cap company. Eric oversees everything from trading applications to back-office accounting systems. “I concentrate on the growth of our business in the global landscape – providing state-of-the-art tech services to our customers and prospect base,” Eric outlines. “Broadridge is a large company, comprising of five core components: investor communications, capital markets, wealth, investment management and an international division. The latter effectively acts as a transversal layer for the other four components.”

Steve Powell heads StatPro’s business development strategy, with more than 20 years of experience in analyzing data and driving multi-million-dollar deals in a highly competitive marketplace. “StatPro is a global provider of award winning portfolio analytics solutions to both asset managers and asset service providers,” Steve explains. “We provide performance, risk and compliance solutions for different sized enterprises, using our cloud-based scalable platform.”

NEW ASSET CLASSES EQUALS NEW CHALLENGES

The difficulty in regulating new asset classes

Technology has not only changed the way financial services are delivered and consumed, but also has led to the creation of entirely new asset classes.

Despite the booming popularity of cryptocurrencies, we will not likely see this market take off in the way we should or would expect, either in a good sense or bad, until they are regulated

The surge in popularity of Bitcoin and other cryptocurrencies could scarcely have been predicted before it happened and, in many ways, regulators are still trying to determine the most effective way to monitor and govern these new asset classes.

In the crypto market, where assets are technically generated, this has created a gap in which self-regulation is coming into play before external regulation does. The market itself is still struggling with how to regulate such an anonymized and entirely new asset class. As a result, firms are taking wildly different positions on crypto, ranging from openly welcoming it to not wanting crypto to be sold through any of their advisory services. But, with the overall crypto market forecast to hit \$3 trillion by the end of 2018, the regulatory questions here can no longer be ignored. Even now, we're starting to see financial assets, such as futures, with crypto underlines.



THE NEW DELTA CONTINUUM

HAPPY NEWS FOR THE
HOLIDAYS FROM THE
STATPRO-DELTA TEAM

StatPro and Delta employ a lot of clever people,
so you expect them to produce good things.
But this time they have really done
something remarkable!!!

HAPPY HOLIDAYS



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