

# FUND DISTRIBUTION IN THE NORDICS

The power of a flexible operating model



# **THE NORDIC FUND MARKETS ARE AMONG THE MOST ATTRACTIVE IN THE WORLD.**

**BUT WITH COMPETITION AND MARKET COMPLEXITY ON THE RISE,  
INDUSTRY PARTICIPANTS MUST ADAPT THEIR OPERATING MODELS  
IF THEY ARE TO DIFFERENTIATE THEIR SERVICES AND MAINTAIN A  
COMPETITIVE EDGE IN A CHANGING LANDSCAPE.**

## NORDIC ATTRACTIONS

For investors, the Nordic region holds considerable appeal: markets are resilient, diversified and offer a broad range of investment opportunities. The countries are politically stable, with robust government finances, high levels of education, well-developed infrastructure and strong public welfare systems. They also boast a history of disruptive innovations and wealth of tech leaders and growth companies.

As DNB Asset Management points out, the Nordic market is a “global investment universe in miniature.” Each country specializes in different sectors, while the region as a whole encompasses nearly all the main investment sectors and niches. Together, they provide wide risk diversification and “a return potential greater than in a wider global market”—with the MSCI Nordic outperforming the MSCI World by 115% and MSCI Europe by 155% over the past 20 years, notes DNB.

And with the Nordics expected to weather the Covid-19 storm better than many other parts of the world—helped by strong fiscal countermeasures backed by healthy public finances—the long-term outlook is bright for the region’s funds sector, and its bank and wealth manager distributors.

But institutions can ill-afford to be complacent. Enhancing service capabilities and controlling costs will be vital if firms are to profit from the funds market’s strong fundamentals.

<sup>1</sup> *Why investing in the Nordics is a good idea*, by Øyvind Fjell, DNB Asset Management, <https://dnbam.com/en/finance-blog/why-investing-in-the-nordics-is-a-good-idea>

<sup>2</sup> *Nordic Outlook: Nordics not the worst place to be in a corona crisis*, Danske Bank, March 30, 2020, <https://danskebank.com/news-and-insights/news-archive/insights/2020/30032020>





## LEGACY OPERATIONS A BARRIER TO SUCCESS

Meeting the growing administrative and compliance burden involved in fund order management and distribution is a particular priority for banking, asset and wealth management groups operating across the Nordics. The progressive increase in transaction volumes and fund market complexity pose significant operational challenges, especially around the order processing steps. Legacy infrastructures are ill-equipped to cope, forcing firms to rethink their approach.

Historically, banking and wealth management organizations in the Nordics carried out those operational tasks in-house. Until recently, the process was not standardized. Firms that could more efficiently trade funds with multiple fund managers were able to differentiate their offering and gain a competitive edge.

### **No longer.**

Technology developments and new fund marketplaces have commoditized these activities. Standard file formats for communicating between counterparties and the growth of fund platforms mean separate faxed orders to multiple fund providers can now be replaced with an electronic file to a single trading platform—allowing everyone to sell the same products and with far greater ease. Trade order processing systems have become more efficient and functionality rich as well, bringing enhanced automation and scalability.

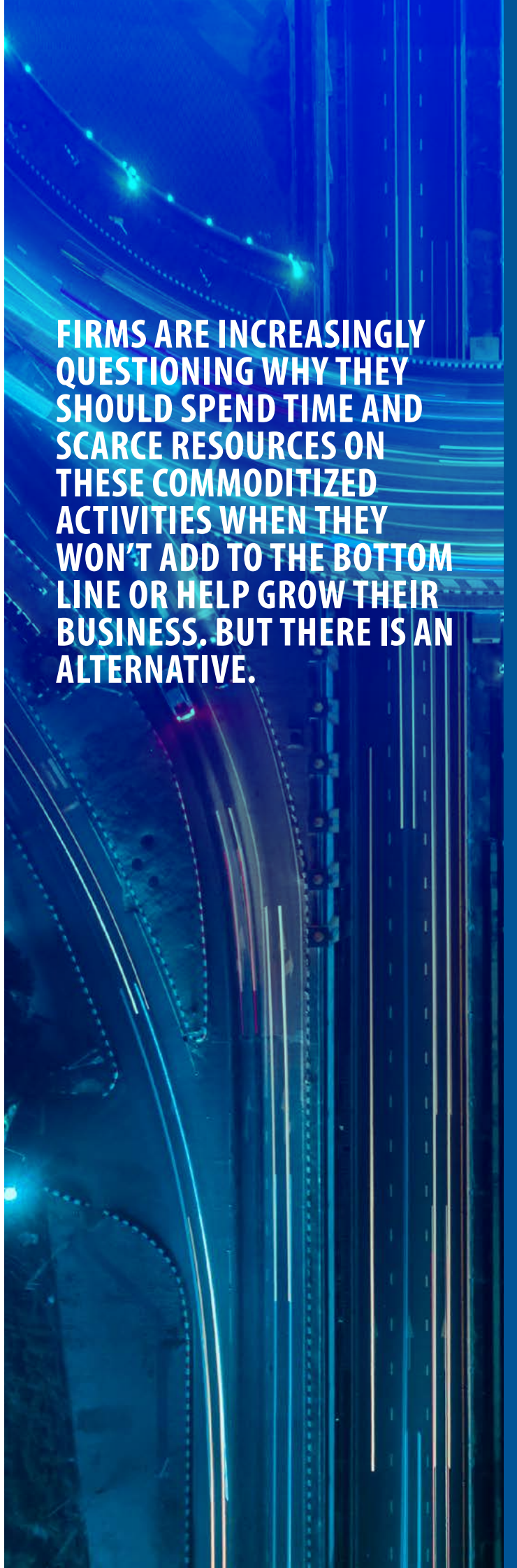
## A BETTER SOLUTION

To reap the efficiencies these developments bring, and stay current with future advances, firms will have to commit to considerable ongoing investment. Retaining operations in-house means replacing or updating legacy technology infrastructures, supporting sophisticated software, maintaining connectivity to multiple platforms and providers, and devoting staff to low-value (often manual and outmoded) middle- and back-office duties.

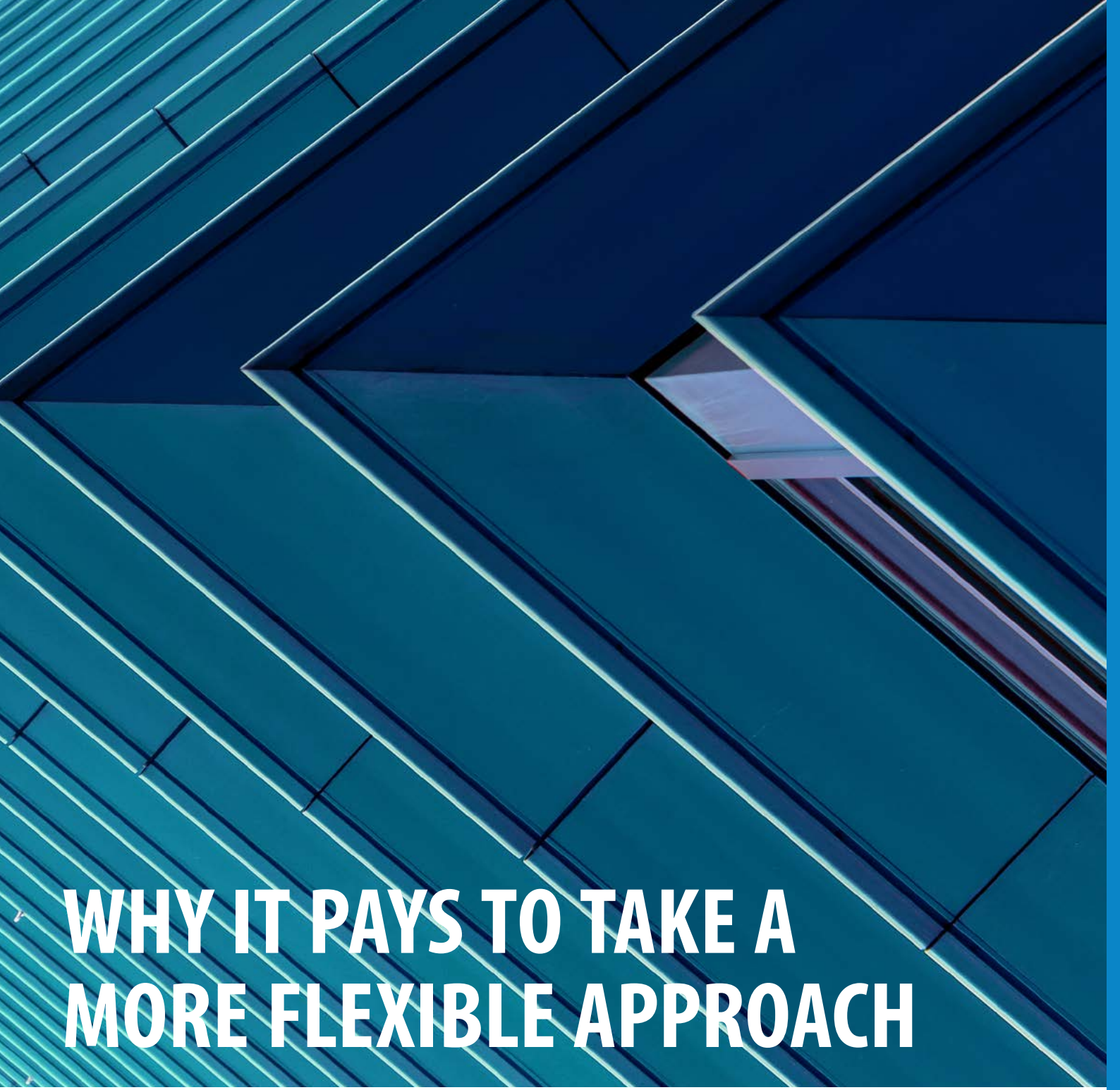
Order processing involves significant administration, and those tasks are becoming more complex. Clients often invest in multiple funds for multiple accounts—for example, their private pension, children's education, general life savings—with each having a separate risk profile and financial goals. Funds have different cut-off times, notification periods, pricing frequencies, settlement lags, fee structures, and base currencies. Demanding tax reporting, and regulatory and compliance responsibilities are another burden. Plus transaction volumes can be substantial.

Firms are increasingly questioning why they should spend time and scarce resources on these commoditized activities when they won't add to the bottom line or help grow their business. But there is an alternative.

The way the market has developed has opened up opportunities for disruption from third-party providers. Firms choosing to outsource specific operations to trusted partners will not only relieve their staff from those time-consuming administrative tasks, but also reduce the ongoing, costly burden of updating obsolete technology.



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# WHY IT PAYS TO TAKE A MORE FLEXIBLE APPROACH

**AS COMPETITION INTENSIFIES AND INDUSTRY MARGINS CONTINUE TO BE SQUEEZED, FINDING WAYS TO ENHANCE EFFICIENCIES AND ADD VALUE HAVE NEVER BEEN MORE IMPORTANT. HAVING THE FLEXIBILITY TO DO WHATEVER IS BEST FOR YOUR FIRM – SUCH AS OUTSOURCING SPECIFIC TASKS – CAN HELP IN MULTIPLE WAYS.**



### **Cost control**

Using a trusted partner for fund order management and distribution support activities can reduce banks' and wealth managers' total operating costs.

Rather than each individual bank/wealth manager investing in their own operations infrastructure, a third-party provider delivering services to multiple institutions can achieve significant economies of scale, enabling clients to benefit in turn from the efficiencies gained.

### **Multi-pronged automation advantages**

Third-party providers have the budget and business incentive to develop highly automated operating environments by investing in sophisticated systems and streamlined processes. As well as delivering cost benefits, supplanting legacy technology and manual intervention with automated workflows:

- Reduces processing errors.
- Improves service speed and quality for end investors.
- Provides greater oversight and control of the orders and trades that occur.
- Limits the reputational risk for banks and wealth managers that stems from poor, inefficient performance.

Automated end-to-end workflows also allow for more investor-friendly, responsive, self-service capabilities. Where end clients can enter orders through a web portal or mobile device, the trade details can be captured directly in the system without the need to re-enter data manually, with the orders automatically routed through to operations staff for downstream processing.

### **Superior client service**

Fund order processing delays and errors—a commonplace with old systems and manual procedures—are a sure way to antagonize new and existing clients. Fast, seamless order management fosters trust and a reputation for high quality client service.

### **Heightened expertise**

A dedicated provider servicing multiple clients will accumulate significant expertise around how to optimize processes, handle exceptions, troubleshoot problems and meet jurisdictions' different regulatory requirements.

### **Speed of change**

In-house technology implementations are time and resource intensive. Firms have to evaluate the different systems available (or develop proprietary ones where preferred), devote staff and budget to the project, and then spend months installing and testing the new infrastructure.

Outsourcing to a proven third party offers a more plug-and-play alternative. The capabilities and market connectivity are already in place, and implementation protocols well-established, so migrations are relatively fast and painless, limiting the project time and risk. Solution scalability and flexibility also make it faster and easier to distribute new funds, reach different client markets and handle higher transaction volumes.







### **Focus on core competencies**

Working in partnership with a third-party provider can free up banks and wealth managers to focus their efforts on improving the front-end client and advisor experience, areas where they can develop a real competitive edge—rather than expending effort and resources on commoditized middle- and back-office tasks, and maintaining complex software.

## **POWER OF OUTSOURCING**

- Support business growth through efficient fund distribution and order processing.
- Take advantage of new market and fund launch opportunities.
- Handle more clients and orders with the same staff at lower cost.
- Improve the client experience through reduced errors and online self-servicing.
- Free staff to focus on more value-adding, less mundane activities.
- Increase control and enhance regulatory compliance.



# **ENSURE A THIRD-PARTY PROVIDER WORKS FOR YOU**


**OUTSOURCING THE FUND ORDER MANAGEMENT AND DISTRIBUTION PROCESSES OFFERS FIRMS IN THE NORDICS A CLEAR PATH FROM EXPENSE TO EFFICIENCY. BUT MAKING THE MOST OF THE TRANSFORMATIVE OPPORTUNITIES AVAILABLE DEPENDS ON PICKING THE RIGHT SERVICE PARTNER. NOT ALL PROVIDERS CAN DELIVER THE REAL EFFICIENCIES AND RANGE OF CAPABILITIES THAT BANKS AND WEALTH MANAGERS NEED TO HONE THEIR COMPETITIVENESS.**

**Experience** is a vital attribute. Banks and wealth managers are ultimately responsible for any compliance failures and the quality of service clients receive. Errors and delays risk regulatory censure and customer dissatisfaction—and firms will pay with their reputation and in potential lost business. An experienced partner with a proven track record shows they are up to the task, and have the knowledge and systems to support your business, deliver efficiencies and improved service, and tackle any problems, challenges or changes that arise.

Allied to experience is **resilience**. Can your technology partner continue to support your needs efficiently, irrespective of transaction volumes, shifts in your business focus, technology evolutions, regulatory changes or developments in the wider world? This idea of reliability and resilience is especially important in a post-coronavirus world—the reassurance that your partner has the operational flexibility and business continuity strength to cope, no matter what shocks or unexpected events occur.

**Financial stability** is an integral part of that resilience. Having the reassurance your partner will be there for the long term is crucial. Serious troubles await if your provider goes bankrupt or suddenly shuts its services, as switching to a replacement or taking the work back in-house at short notice is hardly an option.

**Oversight** and **compliance** are also critical. Outsourcing services can no longer be a set-and-forget black box. It's not enough to trust your provider is doing what they should. You need to monitor and control their activities, and ensure they are meeting all service level agreements. Having transparency into the operations—to give the requisite oversight of those functions and ensure you remain compliant with the relevant regulations—is essential.



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## **THE TIMES ARE A-CHANGIN'**

The market has changed. Handling the administration processes involved in managing and distributing funds in-house no longer makes sense. Standardized communications and changing market practices have commoditized these activities, leaving banks and wealth managers with excessive costs and operating burdens that provide no competitive value.

Partnering with technology firms to outsource IT or operational tasks is a well-established alternative in other markets, but has been slow to catch on across the Nordic region. This is changing. Banks and wealth managers are waking up to the benefits such flexibility can bring – allowing them to take on more clients, deliver superior client service and grow their business with less effort.

Yet, the true value in such a partnership comes down to choosing a technology provider that will be with them however and whenever they are ready to optimise their operating model, giving firms the flexibility they need to differentiate their services and stand apart from the competition in this fast-changing landscape.

# How SS&C Advent can help

Advent, a business unit of SS&C, is an award-winning technology leader, with unparalleled experience in outsourced technology and services stretching back over two decades. Our world-class cloud delivery capabilities, customizable technology options and service breadth are backed by time-tested operational expertise.

Through our ahead-of-the-curve solutions, we work seamlessly with our clients to help you minimize risk, maximize efficiencies and focus on what matters: delivering excellent service to your end-clients while growing your business.

To learn more about how we can help, contact [\*\*advent@sscinc.com\*\*](mailto:advent@sscinc.com).