

Wealth managers say compliance is the biggest technology and operations challenge their firms face today, according to a recent WealthBriefing survey.

## Complying with Regulations

The ever-heavier compliance burden remains the most significant challenge facing wealth managers, according to a 2015 research report, "Technology and Operations Trends in the Wealth Management Industry," conducted by WealthBriefing in association with SS&C Advent. The findings are based on an international survey of wealth management executives.

Almost two-thirds (63%) of survey respondents expect the pace and impact of regulatory change to increase still further over the next three years, while a third see the frenetic pace continuing unabated. Just 4% believe regulatory pressures will ease in the near future.

### Assessing the Regulatory Impact

Almost across the board, there was an increase in the percentage of wealth managers that believed the regulations featured in the survey would have a significant/very significant effect on their operations and systems. The one exception was MiFID II, which saw a marginal decrease.

Basel III emerged as the regulation having the greatest impact on wealth managers' operations and systems, cited by 48% of firms, compared to 29% in 2014.

Suitability was a close second in the overall rankings, but just 12% gave it the maximum impact score. This suggests wealth managers aren't having to radically alter what they do, but rather improve their organization and documentation to arrive at more robust processes and auditability. Firms that struggle to systematically manage and track the suitability process though may need to offer 'simpler' products to be on the safe side, potentially leaving money on the table. By contrast, using data

to understand and predict clients' needs more accurately, and maximizing the use of management information generally, has great potential for product and service design and marketing purposes.

MiFID II, UCITS V and capital requirements round out the five most impactful regulations, while FATCA and EMIR dropped out of the top five. Such shifts tend to occur as the implementation date for each new rule comes closer and uncertainty around them decreases.

However, pre-existing accounts (those opened before 1 July 2014) will come into scope of the FATCA rules in 2016. Technology commentators have warned that further investment will likely be necessary if firms are to achieve the systems scalability to cope with the resulting increase in reporting volumes.

### The Technology Solution

The need to evidence immaculate compliance procedures against an ever-expanding set of rules is driving the sector towards greater automation and fully digital data capture. Most of the regulations require the collection, retention and reporting of enormous volumes of data on clients, transactions, risk and exposure, in various jurisdictions and currencies—demands that can only be met through system enhancements. Moreover, the costs associated with increased regulation have created an urgent need to capture efficiencies, and so allow resources to be re-allocated towards more strategic investments and innovations.

According to the survey, over three-quarters (76%) of wealth management professionals believe technology plays an important/critical role in helping their firm meet its regulatory obligations. And wealth managers are expecting their providers

to do more, with 94% saying technology could play an even bigger role in tackling the regulatory burden, up from 86% in 2014. With compliance staff in high demand and getting more expensive, this is little surprise.

### Focus on Data

One area of particular focus is data management. Wealth managers are being forced to gather and maintain more information on their clients, making better data management the foundation of a future-proof compliance strategy. Not surprisingly, more than eight in ten firms regard data management as an important issue, with almost half (44%) saying it is business-critical.

Yet 39% of firms regard themselves as poor to average in their client data gathering efforts. Almost a tenth only gather the “bare minimum” of client data, suggesting a severe lack of automation in their data capture processes.

And the regulatory onus is not just on initial data capture. Increasingly, clients, advisors, compliance officers, investment management committees and senior executives need to look at the same, correct data at all times. Yet with large sections of the industry weighed down by a disparate array of (often legacy) proprietary and third-party systems, automation and straight-through processing of data is frequently lacking.

In this environment, improved systems connectivity and standardization through

API development are coming to the fore. Meanwhile, strategic projects aimed at creating a data centric architecture that can deliver the necessary data access and efficiency will be increasingly crucial.

### Compliance Challenges Stymie Innovation

Wealth managers are clearly keen to innovate and leverage technological advances to improve client service and operational efficiency. However, half (51%) of wealth managers report that the budgetary constraints imposed by coping with regulatory change have stymied their strategic technology investments. Just 6% said budgets have not been an issue. An even greater proportion (56% of respondents) observed that dealing with rule changes had sapped corporate energy to a significant or very significant degree.

To cope with the barrage of new rules and regulations, many firms have opted to put replacement technology projects on hold, and instead try to adapt their legacy systems. In some cases, firms are abandoning certain strategies to avoid the resulting regulatory-induced complexity.

This “bunker mentality” is understandable, but it brings risks. Rather, firms will need to evaluate existing infrastructures and be smart about their future investments, looking for technology solutions that support compliance, while enabling business growth and innovation. Here, cloud-based platforms—as security and regulatory concerns abate—are likely to play a growing role.

### SS&C Advent Helps Improve Compliance Readiness

Compliance has become a huge drain on time and resources. Fortunately, SS&C Advent can alleviate much of the pain. We’re helping clients adapt to the new and ever-changing regulatory landscape globally, specifically addressing:

- > AIFMD
- > UCITS
- > FATCA/GATCA
- > EMIR/Dodd-Frank Central Counterparty Clearing
- > Anti-Money Laundering (AML) and Know Your Client (KYC)
- > Suitability and RDR
- > GDPR

All our solutions support compliance by keeping information secure, organized and easily retrievable for regulatory reporting. We provide tools that enable firms to monitor portfolios and check trades for adherence to client restrictions. And SS&C Advent solutions significantly reduce your operational risks through automation. With SS&C Advent, you have the controls and safeguards in place to satisfy regulators and clients alike. Contact us to learn more.

*For a copy of the full report, “Technology and Operations Trends in the Wealth Management Industry—2015,” contact your SS&C Advent representative or email [emea@advent.com](mailto:emea@advent.com).*

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