



# Five Key Questions:

What to Look for in a  
Managed Services Provider

THOUGHT LEADERSHIP

## WHAT TO ASK A MANAGED SERVICE PROVIDER

1. Do they provide a comprehensive platform through a single source?
2. Do they own and support the technology?
3. Do they combine technology and operational expertise?
4. Can they support diversified asset classes?
5. Do they meet high security standards?

In the drive to outperform traditional equity markets, institutional and accredited investors have sought exposure across a broader mix of asset classes, including private equity and private credit. To accommodate this demand, asset and hedge fund managers have worked to diversify their capabilities and product offerings.

Many firms have found that accounting for and reporting on multi-asset portfolios adds several layer of operational complexity. Firms are rightly asking if they want to take on that added complexity internally, or perhaps offload some of it to a service provider whose core competencies are IT and operations. And that was before the changes wrought by the global health crisis. The displacement of investment teams from their offices put pressure on firms to access their

operational systems remotely. In its 2020 Global Hedge Fund Survey, KPMG observed that the pandemic led firms to “reevaluate their existing business operating models and adjust their core processes, cost structures and work environments.”<sup>1</sup>

That’s putting it fairly mildly. The convergence of these events—investor demand for diversification and the compelling need for remote work solutions—has accelerated discussions about outsourcing across the industry. As the KPMG annual survey found, “An overwhelming 71% of respondents agree that the current experience of working remotely has convinced them they could achieve better cost efficiencies if they outsource some of their operations.”<sup>1</sup>

For more and more firms, the question is no longer whether to outsource, but what to outsource. And is there a model that allows you to outsource “some” (but not all) of your operations?

### The evolution of outsourcing

Outsourcing has evolved considerably over the past decade. It is no longer “one size fits all” and doesn’t have to be an “all or nothing” proposition. Outsourcing today comes in a variety of flavors across a wide spectrum, from basic technology hosting to a full-scale lift-out of a firm’s operational platform to an off-site provider.

At the same time, firms have become more receptive to outsourcing, as the strategic advantages of cloud deployment have become more apparent and mainstream. Security issues that slowed adoption appear to be on the wane—the KPMG survey found that “concerns regarding risk from outsourcing came low down the list, with just 11% of respondents noting third-party risk as a concern.”<sup>1</sup> While cost is still a consideration, firms today choose outsourcing to drive greater efficiency and reduce operational risk, or to gain agility to add new products or enter new markets.

Still, many firms are looking for a middle way—a greater measure of service than basic technology hosting, but without giving up as much control as the lift-out model often requires. That is what makes the managed service approach particularly appealing among today’s outsourcing options.

### Understanding managed services

What distinguishes managed services from other outsourcing models? Operations managers often equate the term “outsourcing” with full business process outsourcing or BPO—essentially the lift-out model or the subcontracting of operations. The managed service alternative is more flexible than that, allowing you to choose which operational activities you want to delegate to a provider and which make sense to maintain in-house. Often referred to as “co-sourcing,” the managed service relationship is more of a partnership, with the provider acting as an adjunct to your operations team rather than a replacement for it.

From a technology perspective, your operational infrastructure resides at the provider’s facilities, but it remains under your control—you’re not a “tenant” sharing space in someone else’s cloud. You retain full transparency and on-demand access to your data, with the ability to make modifications and generate reports as needed. The provider, meanwhile, takes care of system support and maintenance, relieving you of a substantial internal IT burden. Simply stated, you get the benefits of technology without the headaches of managing it.

All this assumes, of course, that the managed service provider offers a range of technology solutions and operational services that can be tailored to your needs. In that regard, not all managed service offerings are alike.

<sup>1</sup> 2020 KPMG/AIMA Global Hedge Fund Survey: COVID-19 special edition. Agile and resilient: Alternative investments embrace the new reality. (September 2020). Retrieved from: <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/09/2020-kpmg-aima-global-hedge-fund-survey.pdf>

## Five key questions to ask a Managed Service Provider:

### 1. Do they provide a comprehensive platform through a single source?

A key consideration is whether a managed services provider can deliver the full ecosystem of technology solutions to support your core investment management functions, including:

- Portfolio accounting
- Trade lifecycle management
- Reconciliation
- Performance measurement
- Client reporting

Part of the goal in moving to a managed service model is to eliminate platform fragmentation and consolidate multi-vendor relationships. If you are looking to offload as much IT responsibility as possible, it simply makes sense to work with a single provider that can handle all of it.

As your business grows, and your needs become more complex, you will need to be able to adapt on the fly. With the right managed services provider, you'll have an infrastructure that can scale with your business as your assets increase in volume or complexity. Furthermore, as technological innovations come along, the responsibility lies with the managed services provider to make the requisite investments to keep its platform on the cutting edge—not with you. Look for a provider with a record of investing in continuous improvement and a clear roadmap to future enhancements.

### 2. Do they own and support the technology?

The outsourcing landscape today includes many third-party “rack space” providers that do little more than the term implies—they can host your technology platform, but do not develop or support the software they are hosting. When an issue arises, you have to deal with two vendors and act as the go-between to get it resolved. Issue resolution will be far easier if the managed

service provider is the same company that built and supports the hosted technology.

A provider should be able to guarantee uptime and provide 24/7 monitoring to confirm that data uploads and downloads are successful, integrations are working as intended, workflows are in order, and the system is responding as it should. This level of service further distinguishes managed services from generic or rack space hosting.

### 3. Do they combine technology and operational expertise?

A managed services provider should have a menu of operational capabilities from which you can pick and choose according to your needs and objectives. These might include such non-core activities as:

- Daily reconciliation
- Data management
- Data governance
- Trade processing
- Security master maintenance
- Pricing management
- Fee calculations
- Asset servicing
- Investor servicing

Look at what your firm does best and what drives revenue—anything else becomes fair game for delegation to a managed services provider.

Historically, the rationale for outsourcing back-office tasks was to allow in-house staff to focus on the firm's core business. Today, firms are looking for a provider that will not simply “take it over,” but “do it better.” Your managed services provider should have the systems, processes and people with the expertise to execute efficiently, improve accuracy and reduce compliance risks, following best practices borne of experience working with dozens of firms. Your operations team can then shift from hands-on tasks to reviewing the provider's work and taking on higher-value projects for the firm.

That said, there may be compelling business reasons to maintain direct control over

certain processes in-house. You will want to find a provider that not only offers a wide range of service capabilities, but also has the flexibility to allow you to selectively decide which services you need. And if a provider offers a full range of options, it's easier to add capabilities with minimal disruption should the need arise.

### 4. Can they support diversified asset classes?

As noted earlier, one of the big drivers toward outsourcing is the operational complexity brought on by investor demand for broader diversification. Today's portfolios might range from traditional equity and fixed-income to investments in hedge funds, private equity, private debt, real estate, and other structured vehicles. Many firms are running multiple accounting systems to keep up with this demand, which is both inefficient and fraught with operational risk. It stands to reason that a managed services provider should be able to eliminate this prevalent pain point and support diversified portfolios on a single platform.

### 5. Do they meet high security standards?

Whether firms are operating their own systems in-house or delegating that responsibility to a service provider, cybersecurity is among their foremost concerns. It's critical to feel confidence that your managed services provider has implemented strong security measures and controls that meet the highest industry standards, as evidenced by rigorous third-party audits and attestations.

The Service Organization Controls (SOC) framework, administered by the American Institute of Certified Public Accountants, is considered the industry standard in service provider attestations. Specifically, the SOC 2 Type II report is an attestation that a provider's service processes and security controls performed effectively over a minimum six-month period. It is, in short, the certification you want to see when conducting due diligence on potential providers.

It's equally critical to find a provider that is up to date on the ever-evolving regulatory environment. Confidence in the quality of data the provider is managing for you is key to meeting regulatory requirements. Be sure your provider's systems, processes and risk controls can withstand regulatory scrutiny as well as operational due diligence on the part of investors.

## Freedom to Focus on Your Business

Outsourcing technology and operations allows your firm to focus its energies on investment strategies, client service, and business growth. Today, firms have more options along the outsourcing spectrum than ever before. The managed service option strikes the balance many firms are looking for, enabling you to retain control over systems and data, while freeing you from system maintenance and routine operational activity. With the right provider, it also gives you greater flexibility to customize your selection of operational services according to your needs, and to change the service mix as your needs change. For firms that are reevaluating their operating models and cost structures in the face of sweeping industry change, the managed service option warrants further exploration.

## SS&C Advent's Geneva® Platform as a Managed Service

The Geneva® platform and its ecosystem of complementary solutions are now available as a managed service from

Advent Outsourcing Services (AOS), along with a customizable menu of expert-delivered operational services to ease the burden on middle and back offices. Each client has its own dedicated Geneva platform, allowing full access to all the functionality, reporting capabilities and underlying data within Geneva. And unlike third-party hosting services, SS&C Advent owns, manages and runs our own software. Geneva as a managed service includes a single support team that is certified in Geneva and its ecosystem of solutions. Learn more at [advent.com](http://advent.com)

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SS&C Advent, a business unit of SS&C, is helping over 4,300 investment firms in more than 50 countries—from established global institutions to small start-up practices—to grow their business and thrive. Geneva®, our portfolio management and fund accounting system, and Geneva World Investor, our comprehensive investor accounting and servicing solution for any fund structure, are the leading technology solution for the alternative investment industry. Geneva is a highly scalable, true multicurrency and multi-asset class platform. It is designed to support complex investment strategies across international markets, with the ability to manage myriad fund, entity and legal structures, and fully support all transaction types and instruments, including private debt. Today, Geneva is available in the cloud through Advent Outsourcing Services, along with an ecosystem of complementary solutions and a customizable menu of operational services. Learn more at [www.advent.com](http://www.advent.com)

## MANAGED SERVICES CHECKLIST

### Technology

Certify your vendor offers:

- ☐ A full suite of integrated solutions, including PMS, OMS and compliance
- ☐ 24/7 monitoring for system performance and guaranteed uptime
- ☐ Dedicated service and support
- ☐ Automatic upgrades at regular intervals
- ☐ High-security hosting facilities and SSAE16-certified risk controls
- ☐ Business continuity and disaster recovery

### Operations

Ensure your vendor offers custom support for:

- ☐ A wide range of operational services, including comprehensive reconciliation, reporting, performance management, and data services
- ☐ A dedicated team of operations experts
- ☐ Integration with internal systems and processes
- ☐ Regulatory compliance
- ☐ Institutional-grade risk controls

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