



Business Process Outsourcing Provides Cover to Guarded Investment Managers

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As the global economy recovers from its worst ever recession, markets continue to be unguided, riding on the back of uncertainty. The extent of impact has been significant across most asset classes and geographies. All major investors and market participants report a sentiment of cautiousness and weakness in their outlook. *Financial Times* reports that May 2010 was particularly unstable, and many funds have begun to de-risk their portfolios dramatically or re-position themselves more cautiously. According to the Boston Consulting Group, net new money globally for asset managers was a mere 1 percent in 2009. Chicago-based Hedge Fund Research found that the average hedge fund lost 2.26 percent in the past few months of 2010. The trend with long-term investors such as pension funds and retirement funds was quite similar — challenge in creating alpha in these conditions.

The key challenges now are retaining retail and institutional investor confidence and identifying white spaces, which could provide opportunity for alpha creation. This is surely easier said than done. Apart from dislocated markets, the most significant change has been around regulations, which continue to demand investment in specialist staff, running expensive technology and specialist audits, certification and other operating constraints.

Managing Vulnerability

Although changes have been dramatic in the past couple of years, they are on their way to creating an inflection point for investment managers, where new tracks across management of risk, liquidity, reporting and compliance are beginning to emerge. Changing market conditions are driving capital spend and putting an increasing level of stress on the operational expenditure. Such unprecedented problems call for solutions of the same order, which are unconventional and provide a panacea for a new order.

Client Relationship Management (CRM)

A joint study conducted by Datamonitor and an outsourcing firm states that 76 percent of those with focus on wealth management consider client retention the most important factor in the current economic scenario. Wealth management firms are increasingly focused on 'advisor productivity' — reaching out to existing customers, assuaging their fears and discouraging them from liquidating their assets.

WNS works with some of the leading companies in the financial services arena to focus on client retention and CRM — helping them establish contact centers and offline functions; taking-over outbound calling for marketing and sales functions; administration of accounts and portfolios; providing direct channels; and agency and broker support.

Core Middle- and Back-office Functions

Investment management companies and brokerage firms are stretched with maintaining expensive and high-touch middle- and back-offices. In addition, these offices are also expected to constantly re-model themselves to align with the dynamic needs of the marketplace. However, efficacies and better capital management cannot be the cost of increased costs! Thus, most investment managers and brokers today, favor a global center of excellence model, which can manage middle- and back-office processes globally, leveraging the best practices in the industry.

A leading retail broker-dealer partnered with WNS to service the market more effectively with its aggressive growth plans. WNS delivers services across the entire lifecycle of the client. It supports all the financial products, including client profile management, client administration, advisor compensation, fund portfolio administration and client portfolio administration. WNS also provides support for new products



as they are added to the client portfolio. These include brokerage products, annuities, insurance and managed products.

Corporate Finance

Another challenge market participants have to grapple with is that of regulatory compliance, reporting, accounting and corporate governance. Introduction of newer and complex practices like the IAS 39, indicates that these trends are firm and will get accentuated in times to come. Leaders in the industry are therefore looking at outsourcing certain components of their business, such as reconciliation, accounting, statutory reporting and collateral management, as a strategic path to achieving bottom-line growth.

Research

One of the key drivers to performance of investment managers is creating a research unit, which is ahead of others in the game. A well-equipped research unit can drive efficacies by simple processes such as scrutinizing data and providing an

analytical approach to investment counsel. The greatest advantage provided by a high-quality intelligence framework is its potential to acquire the most relevant information and thus, equip a firm to tackle the ever-evolving market.

Knowledge services are fast emerging as an important division that can be outsourced to a service provider. This involves business and financial research, investment banking, technology solutions and analysis reports. BPO service providers are now privy to a vast reservoir of knowledge that allows them to advise capital market companies objectively.

In the current economic climate, businesses must be able to adapt to the fluctuating market conditions rapidly. And, outsourcing could ably support that endeavor. The ideal service provider will offer a strategic long-term partnership, collaborate in building the offshore program, bring-in the required domain expertise and operational excellence via technology optimization.

To learn more, please write to us at info@wns.com