

FUTURE READY



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Future Ready Operating Model: Flexibility for an Uncertain Future

As asset managers and financial institutions map out the future of their business, asset servicers will play a pivotal role in driving ideal outcomes.

It's said that people overestimate what technology can do in a year, and underestimate what it can do in 10 years.

The same can be said for asset management and servicing.

Digital assets are becoming the basis for products, innovative uses of data are being introduced, fintechs and other market participants are offering appealing solutions, utility-like solutions are in the formative stages, and the market is continually shifting — whether due to regulatory or market factors. As if the world weren't complex enough, for both managers and servicers, costs are increasing, margins are compressing, regulations are becoming more pervasive and intrusive, and we are all left to consider how to thrive in an increasingly competitive world.

None of the above are surprises — the market has been signaling what's coming — and just like always the managers and servicers who hear the signals are best prepared for the future.

“No one service provider or technology will have a monopoly on good ideas.”

Joshua Fine, Head of BBH Data Services

At BBH, some of our best solutions have come from working with our clients to solve their most challenging and intractable problems.

Our clients and the market have been clear: A data-centric operating model is now the main enabler of growth, requiring a flexible and interoperable framework to keep pace with rapidly evolving market demands. Successful asset manager/asset servicer relationships will be based on flexibility, choice, relevant subject matter expertise, available technology, and data integration. The best asset servicers will continue to perform critical core functions such as safekeeping assets, striking NAVs, and running middle office functions, as well as managing important aspects of their data strategy and offering alpha-generating capabilities like capital markets products. But they will also be flexible enough to adapt alongside the clients they service.

At BBH, our approach is simple: we help clients create and integrate their own future ready operating models made up

of their best solutions, solutions provided by BBH, and those of third parties. Our solutions are modular, open-architecture, and available to clients on their own or as a full suite. This modularity, combined with the proven integration capabilities of BBH Infomediary®, means asset managers can integrate their front, middle, and back-office solutions by keeping what works, fixing only what doesn't, and preserving agility and choice as the market evolves.

We believe that an asset manager's ability to execute on their vision for the future is only as good as the service providers they partner with. With that in mind, we'd like to focus here on how we're making inroads at helping our clients create their ideal operating model that will position their business for the future.

Data Begets Flexibility

Flexible access to data has become the goal for managers to free resources and differentiate their core business. The principles of achieving this are straightforward and well known: collect, integrate and clean data once, then reuse it throughout an organization. Enrich the data early in its lifecycle, establish clear lineage, ownership and management rules to ensure quality. Employ technology that facilitates flexible integration and downstream use.

The challenge for most asset managers is not knowing what to do, it is knowing how to do it based on their existing operating model and systems architecture. The answer is rarely another large enterprise data management solution as most managers have at least one of those already. The proliferation of “End User Computing Applications” (aka spreadsheets) are a visible symptom of a data strategy that cannot respond fast enough to users' needs. A typical operating model will also contain a variety of systems at different stages of their lifecycle. Some will be old and need to be replaced, some will work well enough but need to be enhanced, others will be new and need to be integrated and retained. Successfully navigating such complexity while keeping pace with change in a cost-effective manner is the challenge many asset managers are telling us they face today.

At BBH three important principles guide our thinking in responding to this challenge:

First, preservation of choice is important, both to address a future that is increasingly unpredictable and in recognition that each asset manager starts from a different place in their journey. No one service provider or technology will have a monopoly on good ideas so actively facilitating an open ecosystem to allow asset managers to deploy the best solutions quickly using consistent data is essential.

“In our view, a data servicer is able to prove value when it takes on pieces of an asset manager’s data outcomes rather than trying to step in and act as an enterprise solution for the manager.”

Keith Haberlin, Head of BBH Investment Operations

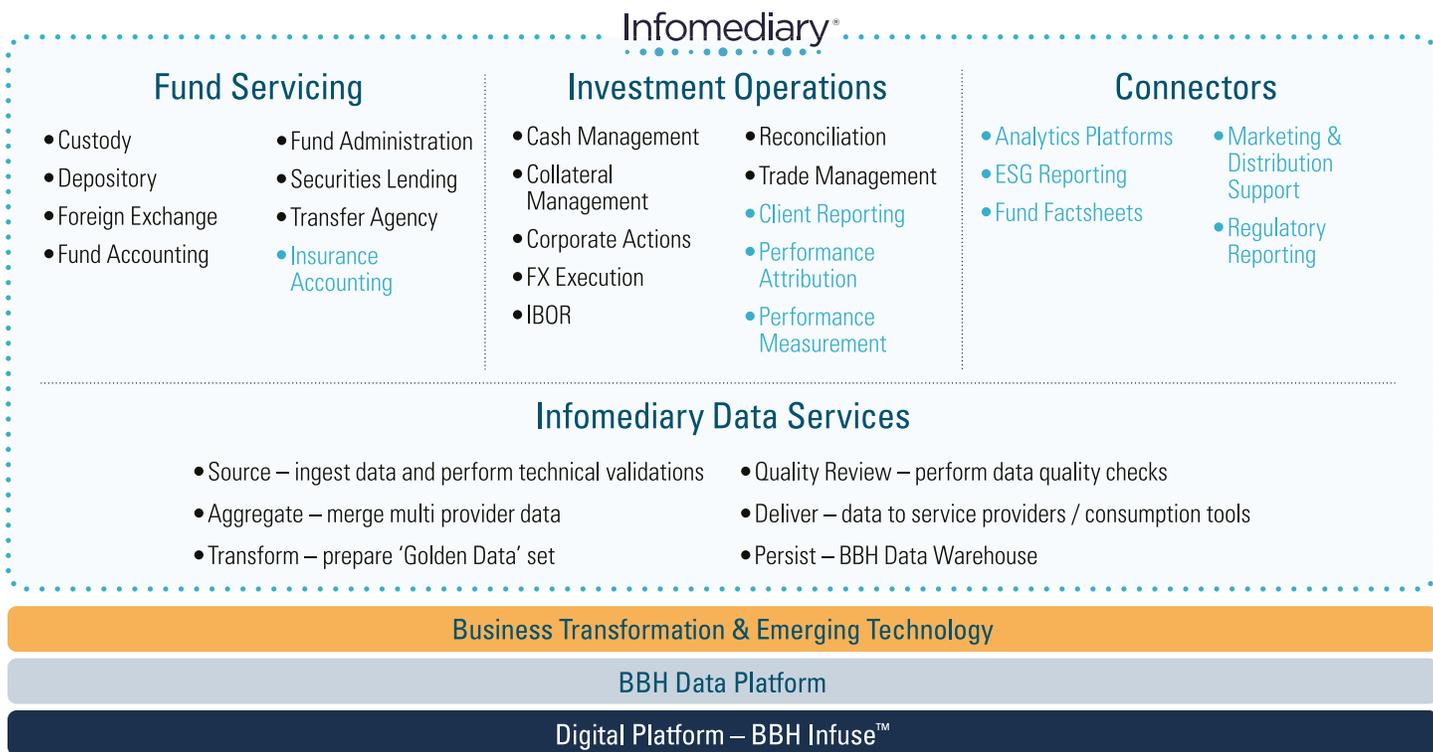
Second, data integration is as important as sound data management. A prerequisite of flexibility is the ability to integrate solutions and data into one logical architecture.

Finally, the ability to deliver results quickly, assess outcomes, adjust where necessary, and keep moving forward in a series of pragmatic steps driven by greatest need or benefit allows managers to demonstrate results to their business and keep budget lines open for long term transformation. The cost and effort to achieve flexible access to data cannot exceed expected value or consume resources better allocated to core competencies. Ideally, operating models account for data in a manner that provides confidence that relevant, high integrity data sets are available for whatever intended use in an efficient and cost-effective manner.

Applying the Principles of Data Integration

BBH’s contribution to providing a solution based on these principles is centered on our twenty-year heritage delivering data integration solutions with our Infomediary service. Initially conceived as a solution to help asset managers integrate post-trade data between their internal systems architecture and their external back office service providers, Infomediary has helped 150 asset managers around the world grow their institutional businesses and launch products with specialist service providers using the same stable, flexible data interface.

BBH Services, Solutions, and Third-Party Connectors



• BBH Services • 3rd Party/Connectors

Over the course of 20 years, Infomediary has developed interfaces to the best-known industry systems (OMS, PMS, accounting, reconciliation, corporate actions, EDM etc.), industry utilities (SWIFT, DTCC, Euroclear, Clearstream, Calastone, AllFunds, etc) and a network of 5,000, service providers, distributors, brokers, utilities, and other counterparties. This connectivity and data footprint means Infomediary has been foundational to the development of our suite of modular BBH Investment Operations services as it has allowed us to layer software and operational services on top of the data we are already consuming from our clients and their providers. Furthermore, Infomediary acts as the data integration layer stitching these modules together with the other parts of an asset manager's operating model.

Our recently launched [Connector program](#) is a logical extension of this network. BBH Connectors is a cohort of specialist third-party fintech and service providers that bring expertise in areas like ESG data, insurance accounting, class action recovery services, and AI to drive meaningful outcomes across the entirety of their operating model. BBH, in turn, provides data services that may accelerate adoption of those solutions.

Technology Alone is Not Enough

Another core lesson we've gleaned from providing Infomediary for 20 years is that the most successful data solutions come from combining subject matter expertise in how the data is used with technology. For instance, when a client engages with us to streamline their trade management process, the understanding we have, as an asset servicer, means we know exactly what needs to be populated in field 22F of a MT54x message to account for stamp duty. Likewise, as we expand data solutions into areas like the provision of an IBOR or the creation of data sets to support fund marketing and distribution deliverables, knowledge of the underlying fund accounting data is as important as the technology being applied. We combine modern fit for purpose technology with a high level of expertise around the relevant data to help drive client outcomes.

There is No One Size Fits All

Our recent [survey of global asset managers](#) indicated managers are now more focused on achieving efficiencies in the middle office than in the past, are more likely to outsource, and would prefer to knit together a panel of best of breed providers into an overall operating model rather than using a single provider. That allows them the opportunity

to shift to a different or new vendor if a new requirement or more optimal solution emerges and delivers the benefits of diversification. This means thinking about the concept of "front to back integration" as an operating model as opposed to a single solution. But it also raises the question of how to seamlessly integrate various providers into an overall operating model and to ensure they are operating with and contributing to one single source of data that the whole enterprise can trust to make decisions and report to clients and regulators on.

62% of asset managers plan to use multiple service providers to evolve their operating model.

BBH 2020 C-Suite Asset Manager Survey

That single source of data is typically IBOR and is another discipline where modern data management technologies such as Infomediary and our Investment Data platform can unlock significant efficiencies for asset managers by replacing what can often be multiple books of record by region, asset classes, or PMS used, with a single, independent IBOR that integrates with the asset manager's existing or future technology architecture. This type of independent, event-driven IBOR can be transformative to the timeliness and accuracy of data available to the whole asset management enterprise and significantly reduce the costs of maintaining and reconciling multiple IBOR's. These potential types of operating model outcomes bring us back once again to the criticality of investing in data capabilities which can ingest, transform, catalogue, enrich, persist, aggregate, and perform calculations on data held by multiple providers, and which can be accessed and reused easily for different use cases. Thankfully, the availability of such technologies has never been greater, but we believe what will separate how successfully they are harnessed is combining them with subject matter expertise in the context of the data and grounding them in specific, defined business outcomes.

Data Drives the Client Technology Experience

Well-managed data available through contemporary technologies are critical to our clients' technology experience. Our clients access Infuse™, our front-end user experience, to "see" how critical processes are progressing or to extract necessary data or reports. They also benefit from our in-production emerging technology solutions, like our work with AI and automation, which digitize processes resulting in fewer breaks, false positives, or escalation items. Both the Infuse digital experience and the digitization of process elevates our discussions with our clients to focus on opportunities and insights. We call this the "democratization of AI" and data is central to the success across the digital experience and digitization of processes.

An important area where we have focused on both the client digital experience and the digitization of process is NAV production. Infuse has a NAV Progress application where clients can see over the course of the day exactly where the NAV process stands. Additionally, clients are able to access our InfoNAV® application which provides a multi-provider comparison of the administrators NAV to a synthetic NAV, which provides oversight and control, as permitted by jurisdiction. These applications were particularly important during the early days of COVID and we received consistent feedback around the comfort clients found in such a clear oversight and transparency tool. At the same time, we have a series of AI-enabled, data-driven, and digitally focused tools that automate reconciliations, detect anomalies, and provide predictive analytics.

Collectively, the digital experience on Infuse, backed by emerging technology, provides a differentiated technology experience that focuses on providing clients as much digital interaction as they like, while also increasing process optimization. The end results are greater insights and a reduction of "noise" in the NAV process. We are bringing the same approach to our traditional core and markets products as well as our Infomediary Data Services.

Compounding Progress

At the heart of all of these efforts are ideas built around pragmatic transformation. Put another way, it's how we deploy technology for the long term – iteratively, one step at a time while architecting with reusability in mind. We take the same approach to our own internal capabilities, whether it's advancing our artificial intelligence program, partnering with sub-custodians to advance niche offerings, or through automating rote operational functions. The approach is simple: build for the long-term one step at time with projects that have more certain and immediate outcomes.

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