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Asset Managers Slow to Use Tech to Simplify Database Reporting

By Dervedia Thomas
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Asset managers are grappling with ways to simplify the process of reporting information to an array of databases and institutional investor requests for proposals (RFPs). But compliance fears still have some firms holding back from tapping into technology to automate the process.

Most managers are still manually keying in data rather than using a third-party firm to port their data over, says Richard Jackson, president of Jackson Analytics.

"They're actually copying and pasting data from one data field to another across multiple databases, across multiple products," Jackson says. "The burden is huge."

Managers identified the time and effort needed to upload information on a large number of strategies and populate multiple manager databases among their top three challenges during the reporting process, according to a recent Cerulli Associates survey.

"Most firms tell us that any way you can streamline database collection activity will be helpful to them," says Laura Levesque, a senior analyst at Cerulli.

Firms like Jackson Analytics aim to make a wider swath of manager information available to database providers more frequently so that institutional investors don't have to bombard managers with a deluge of RFPs and DDIs, says Jackson, president of the eponymous firm.

Jackson recently teamed up with Investment Metrics to automatically funnel manager data into its InvestWorks screening tool, Jackson adds.

"What we had to do is build a technological bridge that connected [our] data warehouse straight into Investment Metrics' global database," he says. "No longer do you have to wait till the end of the quarter and wait for a specific date or wait for somebody to actually log in and log that data. As the data flows into the data warehouse, it flows out every day straight into the Investment Metrics database where the subscribers are seeing it the next day."

Other manager research platforms, such as Door offer standardized questionnaires to make sure that the managers don't have to continuously reenter the same information and can focus on the more bespoke and complex inquiries, says co-founder Roland Meerdter.

Managers are also struggling with RFPs as large as 350 pages, according to Austin Monceret, member the strategic partnership team for manager research platform DiligenceVault. The firm aims to eliminate the large email chain required to respond to RFPs by having managers identify the subject matter expert for each aspect of a request so that the institutional investor can make contact directly via the automated RFP software. And the conversation remains in the system so that managers have an audit trail, Monceret explains.

However, while more firms are embracing more technology, compliance is one of the key reasons some asset managers have held off, says Mark Bell, chief marketing officer at Investment Metrics.

Data has been a key priority for both the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), says Dave Whitaker, president of Foreside. Asset managers should determine whether any system has undergone an audit, typically the Service Organization Control (SOC) Type 2 audit, which certifies that there's not only security procedures in place, but that those procedures have also been tested, he explains.

"You should have a reasonable level of due diligence performed on that system, understanding, in particular with these RFP systems, how they protect the data [and] the data integrity that's being uploaded," he says. "Look to the firm size, how long they've been around, what kind of experience do they have in the financial sector — were they previously in health care or other areas and financial services is a natural adjacency? Look to the technical support, look to their typical onboarding requirements, where they house the data, is it onsite? Or is it offsite?"

Firms should also look for business continuity plans or disaster recovery programs, Whitaker adds.

"What happens if they have failures? Do they have adequate backups in a remote site so that your data is not uploaded and then lost?" he says.

As asset managers upload their information to due-diligence research databases and tap into third-party vendors to move data, proper governance and compliance controls are key to circumventing a flood of inquiries from investors or regulatory missteps.

Establishing a centralized data hub is critical to maintaining accuracy, and the data must be scrubbed to eliminate duplications, says Bevin Crodian, CEO of investment management consulting from FINcastle Consulting. Further, larger firms grappling with more data need to ensure that the provider's interface is simple enough for multiple users, Crodian adds.

"The key to success in this space is data accuracy, completeness and visualization," he says. "You need to avoid a single point of failure."

Adoption of such a system may become more imperative for firms as the volume of RFPs and due-diligence questionnaires (DDIs) continues to grow.

"There was a time where relationships between an asset manager and a consultant drove those investors to the data. Now, it's completely reversed. The data now is driving people to the relationship," Jackson says. "The money manager is not going to be sent a 20-, 30-, 40-page document to fill out. It's already to live on the web. The money manager isn't even going to know they're in a search until the finals. And in many cases, we're already seeing money managers getting money that they didn't even know was coming. Consultants are making decisions based on those profiles and sending the money."

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