

# Strategic technology services

*FUNDS EUROPE TALKS TO ROMAIN SAUVAGE ABOUT AMUNDI SERVICES, THE ASSET MANAGER'S THIRD PARTY SERVICES OFFERING.*

**THE NUMEROUS CHALLENGES** facing asset managers are leading many to consider new operating models and a greater use of external service providers. Not only do managers face greater competition in a market of flat returns, they also have to meet growing regulatory requirements, keep up with market standards and satisfy investor demand for innovation and value.

**“CLIENTS GET ACCESS TO A TOP-OF-THE-RANGE PORTFOLIO MANAGEMENT SYSTEM WITH CONSTANT UPDATES.”**

*Romain Sauvage*

Consequently asset managers are relying more on third-party providers who are able to relieve some of this pressure. Asset managers are then able to focus on their core activities, such as setting the investment strategy, and less on ancillary but costly tasks like ensuring portfolio management systems are up to date with the latest technology upgrades, ensuring best execution on any securities trades and complying with UCITS requirements, says Romain Sauvage, head of product and marketing, Amundi Services.

In 2016, Amundi decided to launch a new strategic business, Amundi



Services – to provide key solutions to external asset managers, family offices and institutional investors. The initiative was led by Amundi's COO, Guillaume Lesage, strongly supported by chief executive Yves Perrier and all Amundi's business units IT. As of today, Amundi services has 29 clients in Europe.

Many people have referred to the current market dynamics as the “barbell” where there are a number of large players at the top end of the market and equally, a growing number of small and specialist boutiques launching. The real pressure is in the second and third tiers and it is these asset managers that

Amundi Services is targeting.

Amundi Services offers three solutions – Amundi Leading Technologies and Operations (ALTO), a portfolio management system (PMS); an outsourced dealing service; and third-party fund hosting. “We are convinced our systems and operations can benefit external asset managers and institutions in Europe,” says Sauvage.

## **Portfolio Management System**

Amundi decided to invest in enhancing ALTO\*, the asset manager European leader<sup>1</sup> Portfolio Management System (PMS) with the latest technology

and functionality, says Sauvage. "The system was already used widely by the various boutiques operating under the Amundi brand. We looked to extend it to external asset managers, family offices and institutional investors.

"The objective is to ensure that ALTO\* remained at the cutting edge of portfolio management technology. In return for an annual licensing fee, clients get access to a top-of-the-range system without needing to pay for its constant updates."

Since choosing to include ALTO\* as part of the Amundi Services product suite, the company managed two main issues – firstly, it had to ensure full data segregation was in place for each client; secondly, Amundi had to develop a system that could be efficiently rolled out to a varied client base with their own operating model. To ensure maximum flexibility, the service is modular and clients are able to choose a combination of systems and services that fits with their operational models.

#### Outsourced dealing

The outsourced dealing service is designed to appeal to asset managers under pressure as a result of market developments around trading. Among European asset managers, the need for efficient execution has intensified amid best-execution requirements, the development of algorithmic trading and the rules of MiFID II that require all trades to be recorded and reported.

"There are a lot of mid-sized firms where the portfolio manager is executing his own trades," says Sauvage. "It is not profitable for them, it distracts the PMs from their main job and they are unable to demonstrate best execution because they only have a small number of broker relationships."

"Amundi Intermediation, a dedicated Amundi subsidiary, executes orders from Amundi's and external PM for all asset classes," says Sauvage. "Amundi Intermediation has offices in Singapore,

Paris, London and Dublin to cover all geographies." Every order is analysed before execution to optimise prices, minimise market impact and ensure the best execution based on a liquidity, size and cross-currency perspective.

"We provide reporting for all clients that records execution price against benchmark price, TCA (Transaction Cost Analysis) and an overview of the activity. We are also looking at developing other web tools for reporting."

#### Fund hosting and ManCos

The fund hosting solution offers clients the operational and administrative support they need when creating a fund in a new territory, says Sauvage. The service is available in Luxembourg, France and Austria, with plans to extend it to Ireland at the end of the year. "A lot of global asset managers use the service instead of setting up a dedicated entity in those new countries," says Sauvage. Amundi Services, as a ManCo, integrates and consolidates automatically the portfolio assets from custodians and other parties.

"Our service also includes controls for regulatory ratios and ex-ante risk as VaR, Vol, TE..."

Pressure on margins and a greater adoption of operational outsourcing is not new to the industry. At the turn of the millennium, large asset managers were entering into back-office lift-outs with global custodians. The difference now, though, is the emergence of an offering such as that provided by Amundi Services, whereby both services and systems are provided by a fund manager.

"It is no longer just about externalising the middle office," says Sauvage. "There is also the provision of technology and tools. With some technology vendors, you can get the system but you don't get the services. Or else you get the middle-office services but not the systems, as with some of the asset servicers. But with Amundi Services,

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you get both. It is a new generation of fund services that combines technology and services."

Such a new generation of services is based on the growing realisation in the market that it is no longer necessary to carry out all IT tasks in-house. Clients get to offload the management of processes like the middle office. And, most importantly, they get access to the very latest tools and technology, says Sauvage.

"The Amundi innovation roadmap is based on constantly improving the platform with new functionality such as coverage for real assets and insurance, enhanced portfolio design and the adoption of new technology such as machine learning and new programming codes," he says. "Everyone at Amundi Services is looking to improve the technology and to think about the future and innovation."

*1 – Source: IPE "Top 400 asset managers" published in June 2019 and based on AUM as of end December 2018.*

**ALTO\*: Amundi Leading Technologies & Operations.**

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