

Fund communication is ready for an upgrade

Tech innovation necessary to cut industry's ties with legacy software



By Whitfield Athey, CEO, Delta Data



FUND OPERATIONS

The industry's move to an email-based system has been the only minor update to the blast fax infrastructure in the last 30 years with regards to communicating fund changes and events. The mutual fund industry is rooted in a complex data set and has embraced its own way of processing data.

Fund companies currently send thousands of emails to their distributors. Recipients of these emails must parse through each one to determine if the communication is even relevant. In the case that an email is pertinent, that firm must then figure out the appropriate changes to process and move it downstream in their organization. It is a time-consuming process that relies heavily on manual intervention, making it riddled with risk.

Fund communications was long thought to be a reality the industry simply had to live with. No one wanted to take ownership of the cumbersome and convoluted communication process. Combine that with the basic complexity of the data and you have the background context for why the industry has done little in terms of technology innovation over the last three decades.

The pace of technology adoption in the mutual fund industry is largely regulated by the following:

- A technology's precision in addressing a clear pain point.
- Time required to onboard the first adopter using the solution, and the subsequent time required to reach critical mass usage.
- Time to deliver each subsequent upgrade to incorporate the latest technical capabilities that address the next problem to be solved.
- Overall cost.

For years these factors have played a role in inhibiting innovation at the counterparty communication level for the fund industry. However, with no standardization across the communication of fund changes and events, plenty of room for manual error in the process, and thousands of non-targeted or

irrelevant emails between fund complexes and broker-dealers, the industry was desperately in need for innovation in order to move forward.

Funds and their distributors have long dealt with the email blast system because it has always just been the way things are. But recently, clients have revealed a strong yearning for better systems to combat the industry's antiquated legacy approach.

Fund companies understand that the approach to fund communication is dated. Technology has the ability to rapidly revolutionize the financial services space, and the fund industry should be adopting that fintech mindset in the middle and back office to become more efficient.

Key players are now interested in adopting solutions born from partnerships with fintech companies, as the solution to this problem should be rooted in technology that can support multiple industry stakeholders rather than a single stakeholder's need. The solution will be pushed in large part by adoption from a few of the major platforms that have both the size and scalability necessary to effect substantial change.

What does the future look like?

We're not talking about buzzwords like the next big data or artificial intelligence sweep. We're talking about tried-and-true communication technology applied to issues on the laundry list of problems that are at the core of our industry.

The next functions and business processes supported by these technologies that tighten the communication lines between counterparties will happen at breakneck speeds. The good news is that the technology exists today – it simply lacks the drive for general adoption by funds. Now all that stands between the industry and solving the counterparty communication process is that buy-in from those major platforms.

With the industry finally embracing technologies to automate, secure and eliminate risk for everyday processes that have excluded automation to date, we are hopeful that a new era of innovation is on the way. ●