

FUNDGUARD

NAVIGATING THE TECHNOLOGY TRANSITION IN ASSET MANAGEMENT

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The asset management industry is at a critical juncture, with technology evolving at a pace that is reshaping the way firms operate. Across the financial sector, legacy systems – once the backbone of asset management operations – are increasingly being recognised as a major hindrance to progress. Firms are facing the dual challenge of maintaining costly, outdated infrastructure while striving to integrate modern technology that can offer more scalable, efficient solutions.

This shift is more than just a technological upgrade; it's a necessary evolution. As pressures mount from rising operational costs, ever-evolving market conditions, and the growing complexity of financial instruments, asset managers are seeking new ways to stay competitive. The need to move away from legacy systems to more agile, cloud-native based solutions has never been clearer.

"One of the biggest risks is trying to fix yesterday's problems instead of fully embracing the real power and potential of the new technology and the opportunity to redesign from the ground up," says John Lehner, president of FundGuard. "This is about creating a technology platform that can significantly transform the operating model and deliver meaningful downstream impact. Some organisations are forced into being reactive because of unsupported or obsolete systems, and that urgency can make it difficult to take a step back and think strategically about long-term needs and roadmaps.

"If you stay with what you have, you won't get to where you need to be. But if you abandon everything without preserving the lessons learned or the institutional knowledge, you're also at risk. It's about pairing fresh leadership and bold thinking with deep subject matter expertise. Budget constraints mean you need to partner rather than build everything in-house. Relying on modern vendors helps spread costs and allows access to better solutions – especially around integration and AI – without exhausting resources."

Global Custodian, in partnership with FundGuard, recently conducted a survey to shed light on the pressing challenges and technological aspirations of asset management professionals. The findings are a clear signal to those that have not fully yet embraced digital transformation: the time for change is now.

SURVEY OVERVIEW

The survey, which gathered responses from over 100 professionals across the globe, paints a vivid picture of an industry at a crossroads. From frustrations with legacy technology to a strong desire for more streamlined, efficient solutions, the results provide a comprehensive look at the technological pressures shaping the future of asset management.

The survey sample represented a diverse cross-section of the global asset management industry, encompassing a wide range of roles, firm sizes, and geographical regions. Respondents were made up of fund managers (37%), asset managers (26%), fund administrators (10%), asset servicers (4%), and custodians (3%). A further 20% of respondents identified as holding 'other' roles, such as technology, operations, and business development professionals.

Geographically, the survey was heavily influenced by responses from the US, with 50% of participants based there, followed by the United Kingdom (30%), Australia (10%), Hong Kong (5%), and Singapore (5%). This regional distribution provides a global perspective on the challenges and opportunities firms are facing, with significant representation from key financial markets in both developed and emerging regions.

In terms of assets under management (AUM), the survey covered a broad range of firm sizes – ranging from less than \$1 billion to over \$50 billion.



LEGACY SYSTEMS: THE BOTTLENECK IN MODERN ASSET MANAGEMENT

Despite the rapid pace of technological advancement, legacy systems remain a significant hurdle for asset managers. According to the survey, a staggering 72% of respondents cited high operational costs as the leading challenge associated with their outdated systems. These legacy infrastructures not only inflate expenses but also create inefficiencies that prevent firms from keeping up with the demands of today's fast-paced financial markets.

Integration, or rather the lack thereof, emerged as the second most pressing issue. With 53% of respondents acknowledging the difficulty of connecting their legacy systems to newer, cloud-based technologies, it's clear that a disconnect exists between old infrastructure and the new wave of digital solutions. Firms are increasingly adopting artificial intelligence (AI), advanced analytics, and cloud-based platforms to stay competitive, yet many find that

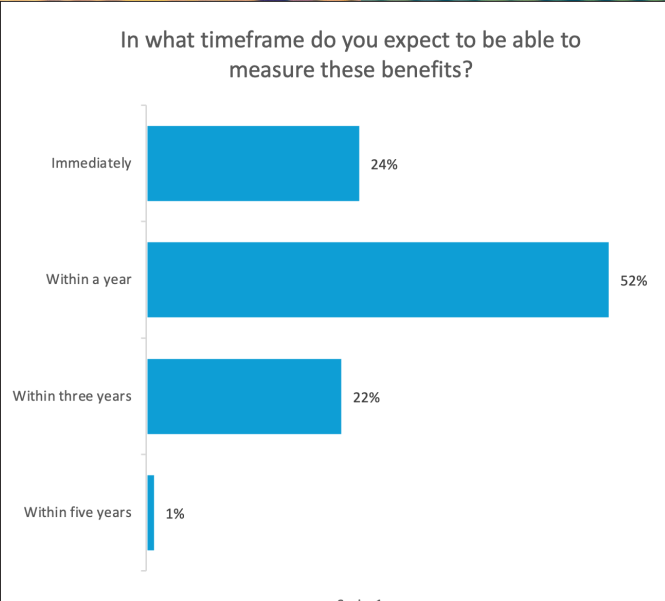
their legacy systems simply cannot support these modern technologies.

“Integration is a real challenge, particularly as firms try to overlay modern capabilities like AI onto outdated infrastructure,” adds Lehner. “Modern tech comes with built-in integrations – APIs, message buses, and connections to upstream and downstream systems – which reduces the need for point-to-point custom connectivity. However, some legacy elements will remain, and it’s critical to partner with vendors who understand both the new and the old, and can support that complexity at scale.”

This is not merely an issue of outdated software; it’s one

of strategic risk. For many asset managers, legacy systems are ill-equipped to manage the complexities of new financial instruments, such as multi-leg derivatives, private credit, and cryptocurrencies. Some 39% of survey respondents highlighted this as a growing concern, as these instruments continue to take centre stage in the portfolios of modern asset managers.

Furthermore, 40% of respondents flagged data management as a key issue with their legacy systems. As data becomes an increasingly valuable asset in investment strategies, firms can’t afford to have outdated systems hindering their ability to process and analyse large volumes



of data. A lack of effective data management leaves firms vulnerable to missed opportunities and competitive disadvantage.

WHAT’S DRIVING TECHNOLOGY ADOPTION?

When quizzed on the key drivers pushing market participants to embrace new technology, cost reduction emerged as the most pressing concern (listed by 40% of respondents as their top priority).

Efficiency improvements followed closely behind with 41% of respondents placing it second, while regulatory

compliance was ranked third by 35% of respondents – recognising the growing need to automate compliance processes to keep up with an increasingly complex regulatory environment and ensure timely, accurate reporting.

Integration with modern systems was selected fourth by 38% of respondents, while support for complex financial instruments, including multi-leg derivatives, private credit, and cryptocurrencies, was ranked fifth. While these sophisticated financial products are growing in importance, they were seen as less urgent compared to the operational and regulatory challenges firms are facing today.

THE FUTURE OF ASSET MANAGEMENT

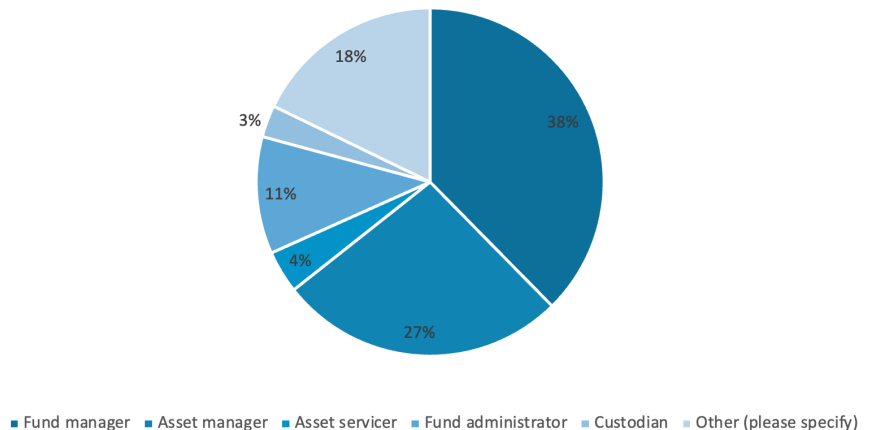
When assessing the survey responses, the cloud stands out as the technology of the future. A notable 69% of respondents expressed confidence that their firms would adopt cloud-based solutions in the next two to three years. This shift is driven by the cloud's scalability, flexibility, and cost efficiency. Furthermore, the cloud enables seamless integration with advanced technologies such as AI and big data analytics, making it an essential tool for the modern asset manager.

Lehner picks up on this point, stressing the absolute necessity for cloud technology to support today's asset management industry: "When we launched in 2018, cloud adoption was still a big question for asset managers. Today, it's no longer up for debate. Public cloud providers offer unmatched resiliency, security, and scalability. The industry's fee pressures mean firms need to leverage scale—and the cloud delivers that. Every new innovation, including AI, is being built for the cloud, making it essential to stay competitive."

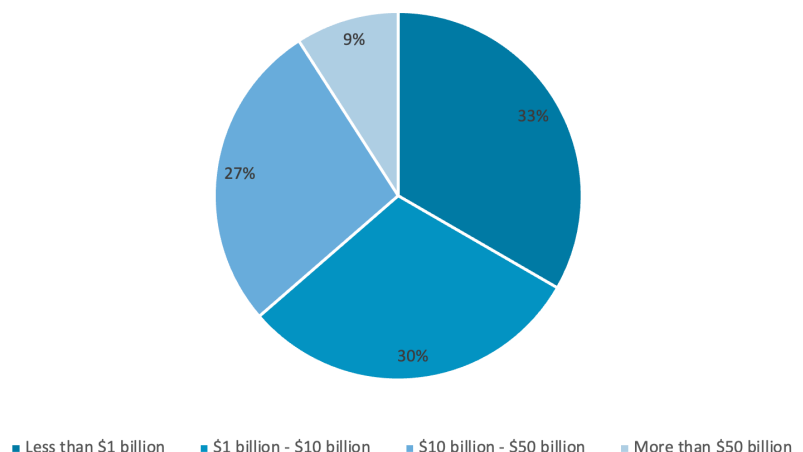
"Investors want better products, real-time information, and transparency. You can't deliver that using decades-old technology. Trends like alternatives and direct indexing demand faster, more analytic capabilities. Firms that don't evolve risk losing relevance. We all live in a digital world outside of finance – investors expect the same experience from asset managers."

Respondents were then asked to identify the key benefits of adopting new technologies, and the answers were telling. Improved data management and analytics, anticipated by 75% of respondents, topped the list. With data increasingly being recognised as a strategic asset, firms need systems that can process

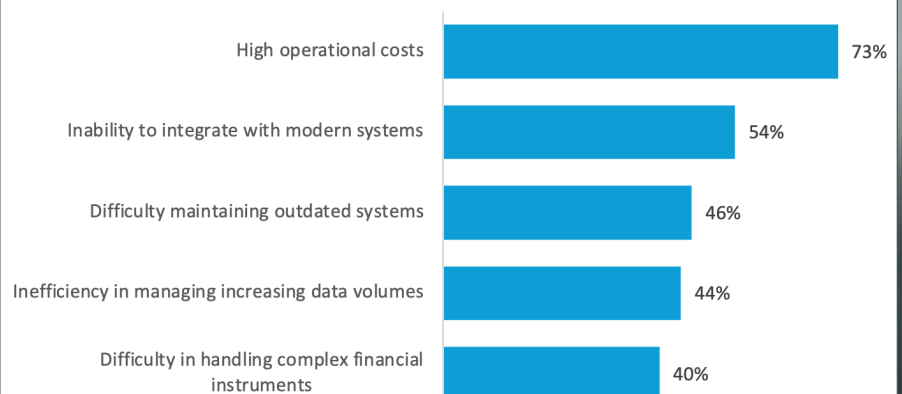
Job Title



AUM



Main challenges faced with legacy technology within operations





and analyse vast amounts of information in real time. The ability to leverage data for better decision-making is a significant competitive advantage.

Operational efficiency, also cited by 75% of respondents, was the second most anticipated benefit, while other expected benefits included enhanced client services (48%), greater regulatory compliance (47%), and cost savings (49%). These findings suggest that firms see technology not only as a means of improving internal operations but also as a tool to enhance client-facing services. As the industry becomes more client-centric, technology will play a pivotal role in improving the client experience.

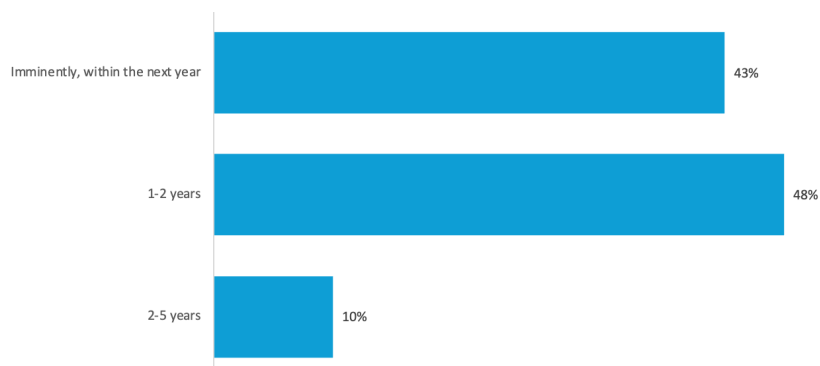
The survey also explored the potential for standardising investment accounting processes through a utility model. This idea appeared to be popular among those surveyed, with 45% of respondents strongly agreeing and 46% somewhat agreeing with the statement that investment accounting could be standardised and supported by a utility model. The potential for such a shift lies in its ability to streamline operations, reduce complexity and create efficiencies that could lead to significant cost savings across the industry.

THE ROCKY ROAD AHEAD

While the benefits of adopting new technology are clear, challenges remain, though the perceived challenges may be legacy misconceptions. High implementation costs were cited as the top concern by 40% of respondents, while 22% expressed concerns about security risks. Given the sensitive nature of the data handled by asset managers, ensuring robust cybersecurity measures will be crucial as firms move to more digital platforms.

Despite these concerns, the benefits of embracing modern technology far outweigh the risks. The key will be for firms to adopt a strategic, measured

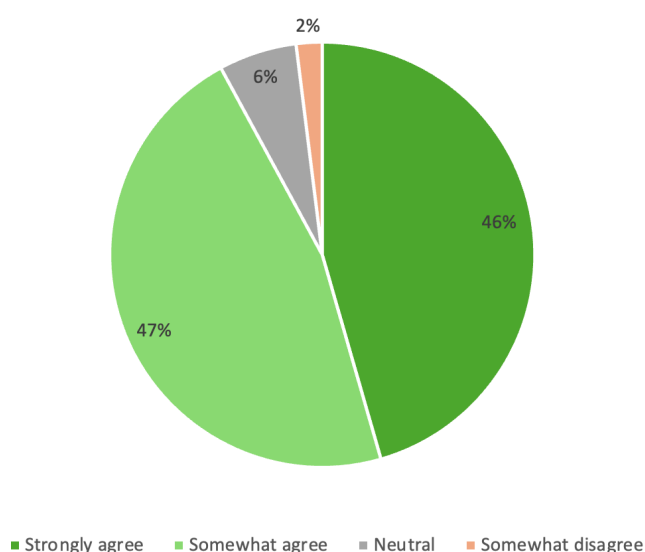
On what timeframe do you anticipate your organisation will upgrade its legacy systems?



What benefits do you expect from adopting new technologies in your operations?



"Investment accounting has the potential to be effectively standardised and supported by a utility model"



approach to technology adoption – one that balances cost, security and regulatory compliance while driving

efficiency and innovation.

Lehner explains: “Many are projecting past experiences – difficult,

expensive transitions – onto today’s modern onboarding processes, which have improved significantly. With GenAI and other tools, we’re seeing faster, more accurate data ingestion and integration. What used to take months of manual work can now be automated, reducing errors and accelerating adoption.

“The investment business exists to serve end investors – people saving for retirement or other goals. Those investors now expect real-time transparency and advanced analytics. Legacy systems have maxed out their capabilities. Modern platforms enable better decision-making, risk management, and performance insights. That’s the competitive edge today: whoever has the data, and knows how to use it in real-time, wins.”

The research highlights the transformative moment currently unfolding within the asset management industry. Legacy systems, though long relied upon, are increasingly seen as barriers to efficiency and growth. As firms look to the future, modern, scalable technologies will be critical in helping them manage complexity and reduce costs, while being able to gain a competitive edge in the market.

The path forward is clear. Firms that embrace new technologies and modernise their operations will be best positioned to thrive in an increasingly digital and data-driven world.

“These discussions are important reminders of how long change can take in a regulated environment,” concludes Lehner. “But the industry’s responsibility is to investors – over 120 million people in the US are saving through mutual funds. The industry must move faster, not for its own sake, but to better serve those people, reduce waste, and improve outcomes.”

