HEDGEWEEK

THE NETWORK EFFECT

FEATURING

AMX

AMX

THE NETWORK EFFECT

HOW CAN AN ECOSYSTEM TRANSFORM THE INSTITUTIONAL MARKET?

HOW CAN AN ECOSYSTEM TRANSFORM THE INSTITUTIONAL MARKET?

Institutional investors are often on the front-line of investment into new asset classes and lead the way in terms of strategy. However, they can also be large and unwieldy organisations which don't easily lend themselves to operational innovation.

The development of an institutional ecosystem which encourages connections and builds accessible networks has the power to change the status quo. One firm has made it its mission to enable this.

James King, chief technology officer, AMX, explains: "We want to transform the complex, clunky investment industry into something that's easier and more efficient to operate in."

The firm's innovation has been focused on making communication between different parties work better and faster. AMX aims to simplify these connections while bringing the best of investment knowledge and technologies to its clients.

King draws parallels with other industries when explaining the benefits: "Companies like Apple, Spotify and Netflix have built digital infrastructure to bring different people together through technology. This creates more value and makes things quicker and more efficient. There is no reason why this process can't work in finance as well," he says.

The aim is to remove the friction between the status quo in the industry and innovation. "We want to make innovation easy for managers and institutional investors; make it something they can do at the touch of a button," King stresses.

TACKLING CHALLENGES IN NEW WAYS

The financial industry is contending with several big-ticket challenges, namely retirement savings and climate change. Significant change is necessary for these issues to be tackled effectively and in King's view, technology ecosystems have proven to be catalysts for change.

Aaron Overy, head of platform solutions, AMX, highlights: "Our network reaches across many different areas and we work to help people with issues they might face in those spaces. We have the relationships to allow for this. For example, we recently introduced a manager to an investment consultant in a country they previously had no access to – facilitating connections such as this demonstrates the power of investment network. The elemental driving force behind the AMX proposition is to build a network effect to provide managers and investors multiple layers of access – to each other and other parties.

"What people get from it is a quicker way to do the things they want to do and achieve the objectives they set out," Overy notes. The roots of the concept lay in making distribution digital. However, it has since evolved and expanded to facilitating distribution in a variety of ways.

"We can help investors get access to things they might not know about. On the other side, we help managers distribute their funds in a variety of ways," he comments.

Raising awareness around the benefits of structuring global equity funds as Common Contractual Funds (CCFs) is one example. These funds allow institutional investors to pool their assets in an effort to reduce administrative costs and make tax management more efficient.

According to Overy, they can allow clients to take advantage of improved withholding tax terms.

"By choosing a tax transparent fund type, you can not only improve performance and return for the investor, but also the performance of the manager."

However, he notes that CCFs are complex structures which require considerable operational expertise to run efficiently: "There are high volumes of data and requirements for timely, fast and accurate calculations. Further, different jurisdictions will have their own specific withholding tax rules, and tailoring will be required depending on the jurisdictions in which the different investors are based."

This is where the benefits of a network come to the fore as managers can obtain guidance on operational aspects when they are exploring distribution opportunities.

EASING THE DATA BURDEN

The concept of a financial ecosystem within the ESG dimension can also elevate investor and manager experiences. Legislation like the Sustainable Finance Disclosures Regulation (SFDR) as well as initiatives like the Taskforce for Climate-related Financial Disclosures (TCFD) and the Investment Consultants Sustainability Working Group highlights the myriad of changes and transformations asset managers need to take into consideration.

These and other new rules, regulations and guidelines mean asset managers are going to be required to deliver more data and demonstrate greater levels of engagement on issues like climate change and gender diversity.

"Managers have to think about the choice they're going to give clients, in terms of the types of fund reports, which indices they will be benchmarked against and how to help make these consist to allow people to compare apples to apples," Overy observes.

And it is not just managers who have to contend with these changes. Pension fund trustees also need to implement the ESG policies they put in place and measure the way they've done it. This not only makes them accountable to themselves but also to their scheme members who are starting to ask more challenging questions about schemes' ESG approach.

Overy outlines how in light of these shifts, having connections through a platform, to bring different solution providers together to streamline access and cost can be highly advantageous.

The data and disclosure requirements placed on investors and asset managers means that gathering data and reporting on it via email, which is how many did this historically, is not a feasible option.

"We had already invested heavily into the digitisation of data and, as requests for support in this regard began to come in, we chose to take a different approach. We designed a solution which uses AMX technology and our know-how of this investment data. Then, we gather it on behalf of asset managers and other parties and provide the infrastructure and technology for pension funds, trustees and other investors to access that data over a digital platform, instead of via email," King details.

A BEDROCK OF PARTNERSHIPS

Strong partnerships form the bedrock of an effective financial eco-system. In view of this, AMX has put several partnerships in place. One of these is with MAIA Technology (multi asset investment architecture). The native, cloud-based firm deploys multi-asset front-to-back solutions for asset managers, with a focus on discretionary and systematic firms.

Robert Forkan, head of business development at MAIA Technology discusses the partnership with AMX, citing the importance of connection: "The fact that the AMX ecosystem is asset management focused is key for us. We adopt a partnership model with our asset management clients, as together we pursue a long-term reduction of their technology debt."

From a business perspective, MAIA wants to connect with those that will find the firm's products of interest and where it can help to grow their business. Growing and expanding within the investment ecosystem, alongside AMX, will facilitate achieving this mission.

King outlines his outlook for the future: "As we look ahead into the rest of 2022 and beyond, we believe that a vibrant technology enabled ecosystem will be the deciding factor in enabling a modern way of working. One which is less complex and more efficient."

JAMES KING
CHIEF TECHNOLOGY OFFICER, AMX

James King is the CTO at AMX and the driving force behind AMX's innovative technology solutions. James' specialism is building financial product / trading platforms alongside the development of ecosystems and the technologies to enable them. A veteran within the finance industry he has held a diverse number of executive roles on the sell-side and buy-side within technology, investment management, capital markets and financial engineering at firms such as Morgan Stanley and Invesco.

AARON OVERY
HEAD OF PLATFORM SOLUTIONS, AMX

Aaron is part of the Solutions team at AMX, heading up Platform Solutions. He previously managed Client and Manager Development for AMX and has over 25 years of experience in financial services. Before AMX, he was at Northern Trust Asset Management where he led the UK and Ireland distribution team. As well as having an extensive knowledge of tax-efficient funds, he's an expert on Wycombe Wanderers football club.

HEDGEWEEK

AMX