

The Future of Data Governance: Scaling up for Success

*Data Governance
across
Multijurisdictions*



1. Asset Management Business: Changing Models

Asset management business models are changing, driven by regulation, costs, and the increasing demand to mitigate risk and offer a digital client experience. Digitally transforming multijurisdictional data governance is today's priority and a path to building resilience to market shocks while scaling up for growth. But the industry is only just embarking on this transformation. If it fails to get it right, it risks experiencing the fintech ecosystem as disruption, not enablement of the financial sector's digital revolution. What's the next right step?

"If digitalisation were a mission to the moon, how far is the asset management industry in its digital journey?"



Jim Kent, Industry Roundtable Moderator

"I think there's no such thing as the rocket of the asset management industry. There are plenty of rockets that are shot off by individual institutions. And it's positive that we see a lot of them in orbit.

The problem is most of those missions are missions to Mars, not to the moon. Very often, when people finally get on this digitalisation journey, the ambitions are too high. And that sets you up for failure. For digital transformation to succeed, we need to instill more pragmatism into the process and more of an incremental approach, or as we say, a one process at a time approach."



Bert Boerman, CEO, GOVERNANCE.COM

2. Regulation Tightens: Increased Scrutiny

EU lawmakers and supervisors take investment and systemic risk seriously, with rules set to help protect investors and the market, such as via the Alternative Investment Fund Managers Directive (AIFMD) and the Directive on Undertakings for Collective Investment in transferable securities (UCITS).

Not surprisingly, prescriptive frameworks impose heavy responsibilities on management company and AIFM (manco) boards and fund management teams to ensure **bullet-proof governance** of their data related to investors, their underlying investors and clients.

EU laws on fund and data governance are getting tougher. Management companies and fund leaders hold **ultimate responsibility** if data is breached or inappropriately reported. The Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and other national regulators are prepared to issue severe fines and to order remedial actions, both of which are **costly and a huge reputational risk**.

The total amount of penalties imposed in 2022 remained the highest since data collection began in 2016, for example, according to the European Markets and Securities Authority's (ESMA) recent report, "[Penalties and measures imposed under the UCITS Directive in 2022](#)".

Mainstream and alternative funds also face a massive increase in their data burden, made even more complex by differing standards and – critically – differing interpretations and implementations of the law by national regulators within the EU and beyond. Fund managers are looking to technology and changes to their business models to remain both compliant and profitable as they scale up their operations across jurisdictions.

3. Operating Models in Flux: Transformation is Underway

KPMG Luxembourg recently [asked](#) large management companies and AIF managers how they respond to increasing data demands and other drivers of change. Nearly all, [some 97%](#), of their survey respondents say their operating models are changing, either enacting a complete transformation or taking incremental steps.

Splitting core and non-core activities may be motivated by cost, resources, distribution concerns and even the types of assets a fund invests in. Given the growth sectors such as alternative funds are enjoying, futureproofing and scalability need to be the bedrock of any digitalisation and digital transformation project.

Is a digital transformation underway to support these changing operating models? And are fund management firms confident in their compliance? No, far from it. The majority of the industry is stuck at "getting organised" for digital transformation, with only 2% describing themselves as "digital innovators", [according to a recent Alpha FMC survey](#). Only [one-quarter of mancos say they are ready if the CSSF decides to make an on-site inspection; just one-third](#) are confident about their own internal testing results.

The shift towards a hub-and-spoke model, where mancos and AIFs are adopting a more centralised model for product and distribution coupled with an increase in the number of branch creations, and third-party providers deliver administration and other services, must be handled with care, according to industry leaders who recently spoke at a [GOVERNANCE.COM](#) roundtable. Knowing the law is not the same as interpreting and complying with it efficiently and sustainably.

“If digitalisation were a mission to the moon, how far is the asset management industry in its digital journey?”

“When the mission to the moon was promoted, the plan was built on three pillars - training astronauts, building a rocket and developing operating procedures. Now how far we are in that respect with digital privacy depends on where we set the ambition. I think that when we talk about digitalising, the quality control process itself, we have tools. We have people whom we need to transform what the tool does. And there’s still some work on that one. As for the operating procedures, I believe that we would have more success if we rewrote some of them to better work with our new digital tools.

If we reach out a bit further and dream and think about plugging in our artificial intelligence solution, or achieving interoperability between various technical platforms, or building educational material into the tools, then I say we are still fighting with some gravity. We have all dreamed for a decade about a golden record copy, which I believe still needs to emerge.”



Lucien Lorang, Head of Business Implementation, BNP Paribas Securities Services

4. Building Resilient Data and Governance Structures: A Rules Based Approach

Lucien Lorang also believes the rules-based approach to risk management is at the core of the regulatory challenge. Convergence takes longer when stakeholders believe, act and comply in different ways, delaying the introduction of efficient systems. Leading investment fund centres often “gold-plate” rules, too, meaning cross-border funds face a labyrinth of competing requirements.

5. Same Rules: Different Interpretations

Fund management data covers multiple jurisdictions, leading to multiple interpretations and/or implementations of what information is needed, by whom and when.

AML Reporting	Documentation & Verification	Reporting Timelines & Formats	Regulatory Oversight & Penalties	Beneficial Ownership Disclosure	Sanctions	Sustainable Finance
Varying thresholds for reporting suspicious transactions or for enhanced due diligence, particularly during investor onboarding.	Some countries may require certified copies of identification documents; others may accept non-certified copies.	The frequency of reporting varies cross-border. Formats, templates and electronic reporting systems vary widely.	Some jurisdictions may have more rigorous enforcement mechanisms and impose higher penalties for AML violations.	Ultimate Beneficial Ownership (UBO) requirements are far from harmonised for due diligence and identification.	The Russian invasion of Ukraine shows how countries apply varied restrictions on economic sectors, people and sources of financing.	Greenwashing rules have already boosted the datapoints that funds must gather, even as national regulator interpretations evolve.

That means a quick fix, or complete digital transformation, will always be more complex and nuanced than it first seems. **Dominique Brogard, Managing Partner at service provider Kreios,** advises mancos to take their time and ensure all stakeholders are ready for evolution.

“Digitalisation is not a one-off event; it is a never-ending process. What is missing is not the technology, but education and communication, especially in the fund industry. That is exacerbated by the lack of benchmarks to gauge if it works well,” he says.

Systems and people need to be flexible. A single pool of data is always preferable, however the purpose of systems and processes is to deliver key data when needed and in the required format, whether to the executive management to guide strategic decisions or for client registration and documentation, tax information, or regulatory filings. Creating a centralised, up-to-date view of data is as tough to achieve as it is critical.

“The ability to manage data across multiple jurisdictions to use it in different applications. That's the big data governance issue!” says **Ulrich Juchem, Investment Funds Director at DZ Privatbank.**

Meanwhile, for best results in designing a digital transformation solution that helps solve the data governance conundrum, the user must always remain at the centre of the design. “I think when we are talking about digitalisation, we should talk about user experience. And adding the user driving the design of the solution,” advises **Thibault Chollet, Partner, Private Markets Business & Technology Transformation, Deloitte.**

"If digitalisation were a mission to the moon, how far is the asset management industry in its digital journey?"

"I would share the picture of low orbit, especially for the smaller projects. But we're still fighting gravity for the larger challenges. Big issues include transforming processes and culture."



Ulrich Juchem, Investment Funds Director, DZ Privatbank

6. Opportunity: Not a Threat

One of the most significant errors made when approaching data governance and digitalisation is the assessment by management that this is just an unavoidable cost and hygiene factor. Compliance is a cost but also an opportunity.

"Every innovation comes with a price tag. Financial firms tend to look at the cost, or alleged efficiencies, and focus on cyber controls and security, at the expense of innovation," points out **Shane Hurley, Head of Bank Depositary Services, J.P.Morgan.**

But innovation requires expertise to translate business requirements into technical solutions. It then does not help that the skills gap in Luxembourg is growing. There are too many mancos and service providers chasing too few staff with the required expertise. Some specific skills are also lacking, such as business process and data modelling.

"There is almost no client of ours that has an expert in business process modelling or specialists in data modelling or process modelling, which makes it sometimes challenging to have the dialogue about what is needed. That means we play a bigger role in educating our client," shares **Bert Boerman, CEO of GOVERNANCE.COM.**

Meanwhile, finance workers can demand higher wages, driven by cost-of-living concerns and competition from other sectors for their skills. This makes it even more important to use those sparse resources efficiently and not load them with automatable routine work.

Efficient technology can remove the mundane, repetitive, high-volume tasks that compliance staff dislike, leaving them more time to focus on more interesting, value-adding tasks such as analysis and stakeholder relationship management. This can also help attract and retain talent.

Lucien Lorang says: "It is a must to have solutions that deal with the administrative stuff, safekeeping data, and offloading us from the administrative part so that we can concentrate on the value of the KYC analysis and servicing the customer."

The risk is, he points out, that failing to automate the "dumb stuff" in the workplace will lead institutions to reach a ceiling where they can no longer grow their businesses or asset bases. There is also a risk to client experience if data does not meet their expectations. They need more granular, more frequent information, particularly in volatile markets and less-liquid asset classes.

"If digitalisation were a mission to the moon, how far is the asset management industry in its digital journey?"

"Transformation is a never-ending story. So to give you a short answer, we are somewhere in the middle. We will always try to increase the level of automation to make things cheaper, faster.

If we take the tourism sector as an example and you book something online in Germany, like travel to Australia, it's within the millisecond that you can see all your US flight options. You enjoy a similar client experience for booking your accommodation. I think offering the same client experience as we enjoy in more advanced sectors should be the target."



Dominique Brogard, Managing Partner, Kreios

7. Now is the Time: Regulators Please be Swift

Investors are looking into new products, such as crypto-asset access, and lawmakers and service providers are rushing to keep up. Yet it may not be as straightforward to innovate and launch new products compared to a decade ago.

"Over the last year, it has been challenging to implement new products and to launch new services," observes **Nadia Manzari, Founder of legal firm MANZARI LEGAL**. "Regulation seems to have suppressed our culture of innovation. It seems the industry lost its courage, compared to ten years ago, to take a decision before everybody else takes a decision in a certain area where the regulation is not yet mature."

Even as the context of innovation has shifted faced with increased regulation, and the outlook for the economy and established public markets remain mixed, all our commentators urge asset management firms to take action now to reap future digital rewards.

Today's emphasis is on digital transformation – the **strategic reshaping** of a business to optimise the benefits of digital technologies. The consensus of our industry stakeholders is that the market is well past the earlier “digitisation” and “digitalisation” phases. Digital transformation is the next right step.

- **Digitisation:** *Converting analogue information into a digital format.*
- **Digitalisation:** *Using digital technologies to improve processes and systems.*
- **Digital Transformation:** *Strategically reshaping organisations to leverage digital technologies for significant outcomes.*

Today's cost pressures, regulatory burden and market demands for an enhanced client experience mean digital transformation is the **foundation of growth** in the sustainable, post-Covid world and the foundation for resilience needed to survive economic volatility.

For example, digital transformation, such as strategically reviewing, unpicking, and then digitalising a **manco's control framework** and processes for investor and **client onboarding**, helps save time and money, reduce risk and offer an enhanced client experience. Once automated, the checks and processes needed for investor and client onboarding are significantly shortened and streamlined with no margin for (human) error. A digital data governance model gives compliance teams a central oversight of all the data they require for each fund, stored centrally rather than via a plethora of spreadsheets.

“The risk of inaction is nothing less than fading competitiveness and, ultimately, market obsolescence”, as forecast by ECONOMIST IMPACT in its white paper, “[Banking in 2035: three possible futures](#)”. The past decade has seen the positive development of the fintech and regtech ecosystem as presented by the [LHoFT's fintech map](#). Gone are the days when financial institutions try to solve their technical issues alone. Today, these institutions must become part of this ecosystem and **experience fintech as an enabler**.

There is a tech solution for every use case, institution size, and set of requirements, be it “off the shelf” or, for larger, much more complex institutions, working in “co-configuration”, where the solutions are built in an institution-fintech partnership. Even the world’s biggest banks, such as J.P.Morgan, have acknowledged that fintechs play an encouraging role in innovation. “The new reality is that big firms like those need to work with fintechs”, says **Shane Hurley, Head of Bank Depository Services, J.P.Morgan.**

The main challenge of finding the fintech partner with the right solution is not if there is a solution but just the sheer number of attractive solutions on the market. This means time should be set aside to assess solutions. In the case of data governance, the real challenge then is the careful design and implementation of the solution to ensure it can be easily rolled out across jurisdictions - getting this right will make or break a firm’s effort to fulfil its digital ambition to scale up for global success.

“If digitalisation were a mission to the moon, how far is the asset management industry in its digital journey?”

“For KYC onboarding, we talked about the unique digital identity 10, 15 years ago already. I’m still convinced nowadays that it is one of the solutions for the financial sector. And yes, I’m surprised that we are only now talking about this in more concrete terms in 2023. But are we in orbit at all? I’m already happy now to see that most of the fund financial sector is moving on with its digitalisation process.”



Nadia Manzari, Founder of legal firm, MANZARI LEGAL

8. Action Plans: Think Big. Deliver Fast

Taking time to plan, talk to stakeholders, involve staff throughout, and set realistic expectations for them, suppliers, and third parties are uniform themes in how our interviewees tackle any digitalisation project.

As Shane Hurley says: “Sprints or small, incremental steps to achieve long-term projects? That’s the best approach. Don’t try to achieve utopia all at once - that’s where projects fail because you go off on a journey of three years, and by year two, people have given up or they haven’t seen anything tangible. Small incremental improvements over time lead to much broader change.”

Lucien Lorang agrees. “Think big. Deliver fast. And then scale, don’t forget the scaling afterwards. Because for several reasons you will have shown your new model of data governance works and is

ready for wider implementation with your sponsors satisfied and ready to support,” he says.

Thibault Chollet Partner, Private Markets Business & Technology Transformation, Deloitte, adds “So before you take off for the moon, maybe climb up on the tree first and horizon-scan to identify and act on those first digital solutions that are in easy reach.”

REALISM – set realistic expectations throughout the organisation. Targets should be broken down into manageable and deliverable elements. Early, demonstrable results keep stakeholders onside.

OPPORTUNITY – regulatory compliance is not optional. Digitalisation should be seen in a broader context, offering an improved user experience and the opportunity to use staff resources in other ways to benefit the business.

RESPONSIBILITY – in collaborative, cross-jurisdiction projects, prepare to be flexible. Responsibility must be clearly defined to ensure that management, technologists and third-party providers work towards common goals.

FLEXIBILITY – regulation is evolving, as is technology. Futureproofing is vital when it comes to data management, customer data safeguarding, and the introduction of new technologies.

SCALABILITY – start small but keep your global vision in mind: Building your digital data governance across multijurisdictions with sufficient adaptability to cater to diverse requirements prepares you to (further) roll out globally.

“Digital transformation has far greater traction now. The industry has changed completely. The impact of COVID – and now the more recent market shocks, really installed a completely different mindset in institutions saying, yes, you can change very fast if you need to, if the need is big enough. And the problem of staying compliant but also scaling up across markets and remaining efficient, cost-effective and “digitally competitive” is so big now that institutions are actually doing something about it. We’ve seen a shift from the distress of 10 years ago to being ready to take the next step to digitally transform. This is a critical yet exciting turning point for the industry, and we encourage everyone to join it.”



Bert Boerman, CEO, GOVERNANCE.COM

Each organisation faces different issues and seeks different solutions, but the drive to digitally transform and scale up multijurisdictional data governance is universal. The key is clearly defining what is wanted, what is possible, and what and how technology can deliver.

Likewise, regulation cannot be avoided. It is constantly evolving (as is technology), so industry players must be open and flexible. Optimising the journey and bagging the early, sometimes easier wins are important to a successful mission.

Timing and pace are vital. Too quick, and things will go wrong. Too slow, and stakeholders will lose interest if they see no incremental or significant advantage.

Our industry leaders agree that whilst digitalisation has been a slow burner, the pace of change is hotting up. Those digitally transforming their data governance across multijurisdictions today will be the survivors and thrivers of the financial industry’s digital revolution.



White Paper Contributors

This paper was written with thanks to contributors from the following group of industry leaders. The leaders exchanged views at a recent GOVERNANCE.COM roundtable, “Solving challenges in cross-border Data Governance & Digitalisation”.

Participants:

1. Shane Hurley, Head of Bank Depository Services, J.P.Morgan
2. Lucien Lorang, Head of Business Implementation, BNP Paribas
3. Ulrich Juchem, Director, Investment Funds, DZ Privatbank
4. Thibault Chollet, Partner, Private Markets Business & Technology Transformation, Deloitte
5. Nadia Manzari, Partner, Manzari Legal
6. Dominique Brogard, Managing Partner, Kreios
7. Bert Boerman, CEO, GOVERNANCE.COM

Moderated by: Jim Kent, Kent Media

Want to discover more about how
our digital solutions can help you
scale up for success?

Contact us at [Request a Demo](#).