



# Tokyo Fund Services

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## REGULATION

New rules to simplify a Tokyo set-up

## FUND LAUNCHES

New hedge funds despite pandemic slowdown

## TECHNOLOGY

Changing client needs as alternatives demand rises

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# Partner selection crucial as alternatives managers hope to benefit from growth

Interview with Edward Bee

The alternatives and offshore business is gathering momentum in Tokyo as industry players witness growing demand and as government initiatives begin to bear fruit. This trend has led to changing technology needs as managers seek to accommodate global investors and adapt their infrastructure.

“As a provider, we see a spike in activity,” said Edward Bee, Managing Director, APAC, at SS&C Eze. “We have more demand for our front-to-back platform Eze Investment Suite in Tokyo over the last two years than in the previous 10. The initiatives the Tokyo Metropolitan Government has put into place to grow the alternative and offshore businesses are working.”

Globalisation across the financial markets is increasing and investors worldwide want access to Asian markets. Japanese managers must accommodate a wide array of technology infrastructure needs. “Some of the incumbent technology platforms were built around a domestic market and had difficulty to accommodate the added complexity of a global strategy,” notes Bee. “This operational challenge has been a primary driver for why people are looking to third-party technology solutions.”

After a decade of very little new hedge fund activity in Tokyo, signs are emerging of a strong comeback for Japan’s hedge fund industry. At least eight new fund managers obtained licenses to operate in Tokyo over the past 12 months, demonstrating the desire to grow Tokyo’s role as a financial hub.

The global Covid-19 pandemic has dampened the takeoff of the Japanese hedge fund market. Access to US allocators has been challenging but is improving. Bee comments: “We have witnessed some delays and some

of the funds we have been speaking with have pushed back their launches. However, many have recently started to target Q1 launch dates.”

To support this progress, the Tokyo Metropolitan Government (TMG) introduced the Emerging Manager Program, which includes operational cost subsidies for start-ups and real estate access. TMG will also grant more flexibility in terms of licensing for early-stage hedge fund managers.

To ensure hedge funds start their operations off on the right foot, TMG launched a “Qualified Outsourcing Provider” programme to steer managers towards the most reputable and knowledgeable providers in the industry. The government is helping participating start-ups control costs through subsidies.

SS&C Eze is one of eight providers to be approved as a Qualified Outsourcing Provider and is one of the first global investment technology players to be granted this status. Bee remarks: “We hope to use this as a starting point to become a key provider in Japan’s resurging hedge fund market, and to be able to provide a robust and scalable global technology platform to help managers streamline their business as they grow.”

While the Japanese hedge fund market is rebounding, SS&C Eze is already working with some of the Emerging Managers Program’s early qualified hedge fund managers. We are leaning on our extensive experience in helping start-ups support their daily workflows.

New managers must focus on finding reliable partners, not just vendors. Bee notes: “Having a firm with a longstanding history of implementing and continuing to support firms like yours is critical. Our clients expect an expert client service team familiar with

their business and their workflows. Managers must make sure their chosen provider can implement solutions quickly so their investment operations can get up and running without delay.”

Bee stresses it's all about asking the right questions before making a selection: “You need to ask whether you pay for implementations or upgrades and how long they usually take. Get a clear sense of how training is handled, and what documentation and other resources are available to ensure your investment operations are running smoothly.”

Another critical aspect managers must consider when selecting partners is security. “Your vendors should put security at the forefront of your operations. Finding a vendor with cybersecurity best practices such as ISO certifications is a great way to ensure your vendor's offering has your data covered and secure,” Bee advises.

Investor requirements have been changing, and having the right partner can help a manager respond to those demands swiftly and appropriately. For example, investor due diligence is more rigorous than ever. Bee says: “We are finding more investors want to know what rules are in place to satisfy their demands. They have also been asking for access to the firm's charters so they can see exactly the compliance rules in place to satisfy investor mandates and the fund's prospectus.”

Investors don't just want to know their money will be safe; they also want to make sure their providers are running a tight ship. Bee explains: “There is much emphasis on understanding how funds manage risk. Investors also want to know how information flows throughout investment management systems and how the fund provider controls the process's connections.

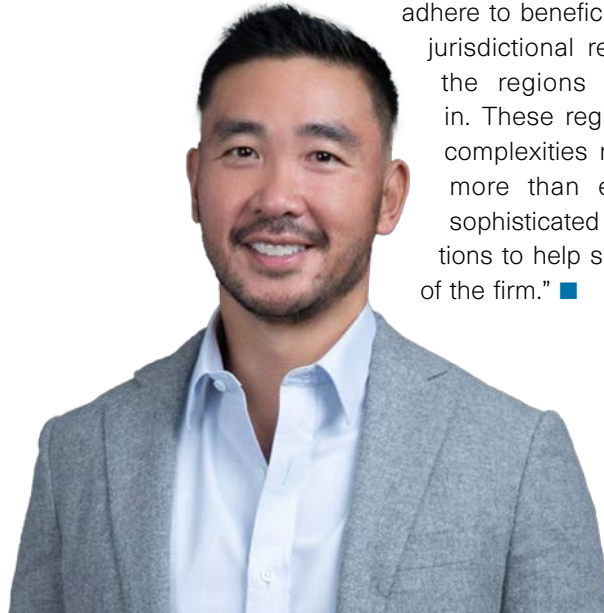
“Institutional investors are savvier than ever before. To win and keep their attention, you should equip your business with a reliable platform and knowledgeable, supportive service, from the start.”

Bee emphasises start-up or emerging funds should not wait until after launching their fund to implement critical investment operations functions: “An institutionalised infrastructure from the start will make fund-raising from institutional investors a lot easier. Describing the business plan, which includes the infrastructure you have in place, is required as

part of the license application process with the Financial Services Agency.” Additionally, the technology needs to meet the operational demands of an investment operation, such as secure, mobile access to critical functions from remote locations.

Cloud solutions are increasingly crucial. Since 2018, the number of SS&C Eze clients deploying Eze Investment Suite in the cloud has more than doubled. SS&C Eze has also seen the rapid adoption of Eze Eclipse since launch, with over 150 firms signing onto the cloud-native platform.

As a manager's assets grow, their compliance needs also become increasingly complex. Bee says: “As your business grows, you'll want your technology partner to be in a position to respond to your needs, and the demands of the market, with timely and effective product updates. You may have to adhere to beneficial ownership and jurisdictional regulations across the regions you are trading in. These regulations and new complexities require firms now more than ever to leverage sophisticated compliance solutions to help support the growth of the firm.” ■



**Edward Bee**

Managing Director, Head of APAC Sales, SS&C Eze

Edward Bee is managing director, head of APAC sales for SS&C Eze. He is responsible for strategic growth and business development for the APAC region and oversees teams based in Hong Kong, Singapore, and Sydney. Edward joined SS&C Eze in 2005 and has held numerous leadership positions across North America, EMEA, and Hong Kong. Most recently he led client services and operations in EMEA where he oversaw a successful operational reorganisation, unifying multiple teams and growing the client services organisation by 50%. He also previously led the US West Coast and Midwest regions, playing a key role in scaling the company's operations including the launch of SS&C Eze's Chicago office. In his 15 years with the company he has overseen more than 250 client implementations of Eze's investment management solutions.

Edward has more than 20 years of experience advising and consulting on financial and investment technology. Prior to joining Eze, Edward was the regional consultant and head of northern California, Utah, and Idaho for Yahoo. Edward graduated magna cum laude from California Polytechnic State University, San Luis Obispo with a degree in international business and management and a minor in political science and economics.