SPHERE OF INFLUENCE

FUNDS EUROPE TALKED TO METROSOFT FOUNDER AND CHIEF EXECUTIVE JANUSZ LORENC ABOUT THE COMPANY'S BEGINNINGS AND THE FUTURE OF THE FUNDS INDUSTRY.

ON NOVEMBER 2, Metrosoft received a special commendation in the European Innovator of the Year category of the *Funds Europe* awards for its flagship Fundsphere platform and the development of Fundsphere Terms, a web-based application tool designed to bring some digital efficiency to the mutual fund sales agreements (MFSA) process.

It is a just reward for what has been a significant journey for the firm.

Fundsphere Terms' solution is part of a broader and longer-term vision that Metrosoft has in enabling more digitised collaboration between asset managers, distribution platforms, distributors and transfer agents on not just MFSAs but all forms of compliance and legal agreements and all other communications between these different market participants.

Metrosoft was formed in 1991 and began as a small company providing IT services for various asset management companies in the US. Its main client was the Alger fund, run by Fred Alger, with between $15 billion and $30 billion of assets under management. The company's main products for the EU market were Sicav funds distributed via Luxembourg.

In the late 1990s, Metrosoft developed TeleFund, an advanced voice-response system that provided fund and account information and enabled 24/7 dealing over the phone. The system was ostensibly developed in order to help Alger penetrate the German market.

The product proved to be successful, leading Alger to comment that Metrosoft had "done wonderful things for us". TeleFund was also selected to provide real-time stock quotes

on board US airline Continental 's domestic flights.

Soon after, Metrosoft won State Street as a client, providing web-based systems for the US custodian's European operations.

Streamlined distribution

The EU/US link proved to be a lucrative market for Metrosoft. As Metrosoft founder and chief executive Janusz Lorenc points out: "Back then, the EU was very different and much more fragmented than it is now, with different laws and practices across the region. So we helped several US clients to bring their EU systems together and streamline funds distribution."

A steady stream of US clients followed, both asset managers and third-party administrators (TPA) looking

for web access and to consolidate their systems and automate many of their more manually intensive processes.

The TPA market has changed considerably in the intervening 15 or so years thanks to consolidation, which has had its implications for Metrosoft and its client base. Previously the company also served a number of small and medium TPAs but these have all come under the wing of a handful of large and acquisitive providers – which required Fundsphere to support far more complex data integration.

However, while the market may have changed, Metrosoft's philosophy, products and business model have remained the same – to change the way information is accessed and exchanged in the asset management industry.

The Fundsphere platform was designed to meet the growing demands on asset managers from both regulators and investors for more transparent, efficient and auditable systems. It has three core products – Navigator, a core for transfer agency service, Compliance, which automates the know-your-client (KYC) process for account opening, and the aforementioned Terms, developed to bring the same automated efficiency to the MFSA process.

MiFID II requirements

In essence, the only thing missing from the product suite is a calculation engine. "We are pushing the barrier in terms of taking on more data and processes for the customer," says Lorenc. And with MiFID II about to take effect, the extra requirements on managers could well see them lean more heavily on their service and software providers.

The platform develops web applications that are ready to use and a single application can span multiple servers in multiple locations. "We take care of deployment, integration and customisation. We also provide 24/7

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support services and disaster-proofing for all of the systems we develop. And we provide a range of hosting options, from in-house to offsite data centres (such as the PSF data centre in Luxembourg) to the cloud."

Metrosoft's clients are a mix of TPAs and asset managers, with the same Fundsphere used by both. The relationship with the leading TPAs has been especially important for Metrosoft in that it has provided a route to the managers. As Lorenc says: "Through the TPAs, we get to 250 asset managers and thousands of funds, so it is a very big penetration."

That relationship as a conduit between the TPAs and the asset managers is also a vital element in Metrosoft's proposition. "We take the data from the various TPAs, some of which are our clients and others that are not, so that the manager can have all of that data and have a consolidated view," says Lorenc.

"This is where we think the future lies. It is a challenge for the asset managers to deal with the different data formats and the variations in integrity. The challenge is get that data into a high-quality data stream that can be used to support investment decisions."

A number of asset managers are still relying on manual processes for integrating their disparate sources of data. Nor is it the case that the smallest firms are the most guilty culprits. As Lorenc says, it is often the case that the bigger the business, the more people they throw at it.

One holistic view

In his view, there are only two possible solutions for asset managers – to create a bespoke solution or to employ the services of Metrosoft. "We consolidate data streams from over 20 different TA systems plus other systems around the world into one holistic view. And the cost of integration and a licence is considerably less than it would be to develop, build and maintain their own solution."

There is the much-debated 'global TA system' idea, a concept that has been in play for more than a decade. Lorenc believes the global TA concept is a myth. "It is not that they don't have the capability, but the business and regulatory environment is so changeable that it is an impossible system to deliver."

That said, Metrosoft does not compete with the TA system providers. Similarly its offering is about more than data management and compliance, says Lorenc.

"A lot of vendors say that their systems can provide regulatory reporting. We don't sell our system on that. Reporting and compliance is relatively easy. We are trying to do things that are very interesting to asset managers and we are focusing more on adding value."