STREAMLINE RISK ASSESSMENT PROCESS TO ALLOW FOR OUTSOURCED SERVICES

CONTEXT

Outsourcing culture in the asset management industry is a common set-up for investment and fund asset managers to operate efficiently and competitively. Traditionally, outsourcing arrangements are more prevalent in back-office activities. By outsourcing selected office functions to partners with the latest digital technologies, firms can confidently focus on their core competencies and remain agile for faster growth. In parallel, the industry is also experiencing a shift, where asset managers are broadening their perspective and looking beyond transactional activities, forming strategic outsourcing partnerships.

Whether the outsourced shared services are for transactional activities or strategic partners, asset management firms is cautioned that this cost-effective model should not result in inefficiency or bringing negative experience to their customer. More importantly, using such services, should not increase the firm's risk exposure to any strategic, reputational, operational or compliance risk arising from potential service lapses or security breaches, when using outsourced services.

Currently, such risk assessment of vendors is done when (i) its business units seek new outsourcing arrangements, (ii) there's a change in existing outsourcing arrangement, (iii) when an outsource partner is replaced and (iv) as part of the periodic review on existing outsourcing arrangements. The process is not straightforward.

Requesting business units have to work closely with internal cross-functional teams (e.g. Legal, IT) to ensure the outsourced service provider meets external and internal regulations.

1. Seek latest guidelines and requirements.
2. Gather information, perform checks and clarifications through excel spreadsheets and email exchanges.
3. Obtain approvals from various stakeholders

Without a centralised system to automate and track the workflow in real-time – the requesting staff has poor visibility of the assessment status, thus spending time liaising with the various stakeholders individually to seek clarifications or make amendments. Moreover, the staff maybe expected to double up as a project manager and must keep record of the documents and correspondences, managing the overall timeline of the project.

Hence, there is interest to create a digital solution that can help asset management firms better streamline their risk assessment processes when seeking for outsourcing approvals and ultimately to manage the risk through the lifecycle of outsourcing arrangement. This will allow asset management firms to adapt to our internal requirements, efficiently develop and manage strategic outsourcing partnerships. They will then be able to add greater value to their clients while achieving collateral benefits (such as improved execution, ensuring compliance to regulations).

This sector-wide challenge is hosted by the Investment Management Association of Singapore (IMAS) and Nikko Asset Management (Nikko). IMAS is the representative body and sector lead for the investment and fund management industry. Nikko is a leader in the Asian financial services industry, offering a range of investment management solutions including equity, multi-asset, institutional investors as well as retail and private investors.

PROBLEM STATEMENT

How might we better streamline the process to conduct risk assessment of outsourced vendors, to provide a robust platform for internal management of outsourced services while ensuring compliance to outsourcing regulation?

WHAT ARE WE LOOKING FOR?

A prototype solution that can digitalise the risk assessment of outsourcing functions across business units and jurisdictions, which should include the following features:

- **Automated Workflow Management** – Automated checklist of information, tasks and approvals needed based on the selected outsourcing request parameters, such as service type, contract value and jurisdiction, bringing consistency to the entire workflow.
- **Robust Multi-Stage Review** – Frictionless and automated interactions between internal teams, allowing for various stakeholders to better communicate comments and decisions, quickly and securely.
- **Data Visualisation Dashboard** – Easy visualization on the project status, comments, documents and endorsements received for each approval request, for staff to have better visibility on the status of each request. Data should be easy to export for management reporting purposes.
- **Resource Library** – Collective memory of internal policies and regulatory requirements of the respective service types and jurisdiction, inputted and managed by the respective business teams.
- **Automated Information Gathering** – It would be ideal if the solution could automatically update the system with updates in regulatory requirements, and translate them into a checklist of actionable items and tasks.

There are no restrictions on the geographical location of the problem solvers who may choose to apply to this challenge. However, the prototype must be demonstrated in Singapore.

POSSIBLE USE CASES

1. **Business Unit –** Bill is part of the tax reclaims unit which recently decided on a new outsource partner. He logs to the new risk assessment platform and creates a new request case. Based on the input parameters of his request (e.g. industry, value), a checklist is generated to guide him on the information and approval needed to proceed. Bill then fills up the information on a digital form, and is able to assign the case to a pre-defined internal validator to review, approve or provide comment.

The solution allows Bill to easily track the comments, documents and endorsement received form the various internal units, before finally surfacing to his department head for the final approval. He no longer needs to spend time individually liaising with the different teams and keep track of the various edited versions of the documents and is able to spend more time on his actual job scope.

2. **Risk Assessment Unit –** Vivian is part of the risk assessment team. She receives a system notification that Bill has logged an outsourcing request and logs in to verify the information provided. Should any clarifications or additional information be needed, Vivian is able to easily indicate her comments on the respective segments for Bill, or other internal units, to edit and modify. Vivian is also able to include new requirements as per the enhanced regulations, which would be captured by the system's resource library for future similar requests.

3. **Project Manager** – Handy is the department head, who gives the final approval on the outsourcing request. After seeking the respective endorsements, Bill assigns the case to Handy for his final approval. Handy receives a system notification and is able to easily view the key data, endorsement from the various units and documents for his approval. Equipped with the necessary information, he approves the case in the system along with his comments. He is also able to view the list of requests that his team has submitted and the respective status at a glance, providing him with better visibility to ensure that requests are promptly and efficiently managed so the company can remain agile in its service offerings.

WHAT'S IN IT FOR YOU

- SGD 20,000 of prize money for each winner of this challenge (see Award Model)
- Gain access to IMDA's Technology resources and facility for prototyping
- Collaborate with IMAS (Investment Management Association of Singapore) to reach out to the greater community for exposure, refinement and deployment
- Opportunity to pitch to industry audience in IMAS Digital Events
  (For more information, visit www.imasdap.com)

EVALUATION CRITERIA

The Applicants shall be evaluated in accordance with the evaluation criteria set out below.

Solution Fit	• To what extent does the proposed solution address the problem statement effectively?
Solution Readiness	• How ready is the proposed solution to go to the market? • Is there any evidence to suggest capacity to scale?
Solution Advantage	• Is the solution cost effective and truly innovative? • Does it make use of new technologies in the market, and can it potentially generate new IP?

	• What are the top 3 key benefits will the solution bring to the Asset Management industry? Optional • To share estimated cost for pilot trial, deployment and software support.
Company Profile	• Does the product have user and revenue traction? • Do the team members possess strong scientific/technical background and when is the company founded? • Does the team have relevant clients/ use cases? • Does the team have plans to grow and propagate the solution in Singapore?

AWARD MODEL

30% of the prize money will be awarded to each selected finalist at the start of the prototype development process, with the remainder 70% to be awarded after completion of the prototype solution, based on milestones agreed between Problem Owner(s) and the solver.

Note that a finalist who is selected to undertake the prototype development process will be required to:

- Enter into an agreement with Problem Owner(s) that will include more detailed conditions pertaining to the prototype development;
- Complete an application form with IMDA that will require more financial and other related documents for the co-funding support.

Teams with public research performers are required to seek an endorsement from their respective innovation and enterprise office, and submit the attached IEO form together with the proposal.

DEADLINE

All submissions must be made by **19th March 2021, 1600 hours (SGT/GMT +8)**. Problem Owner(s) and IMDA may extend the deadline of the submission at their discretion. Late submissions on the OIP, or submissions via GeBIZ, will not be considered.