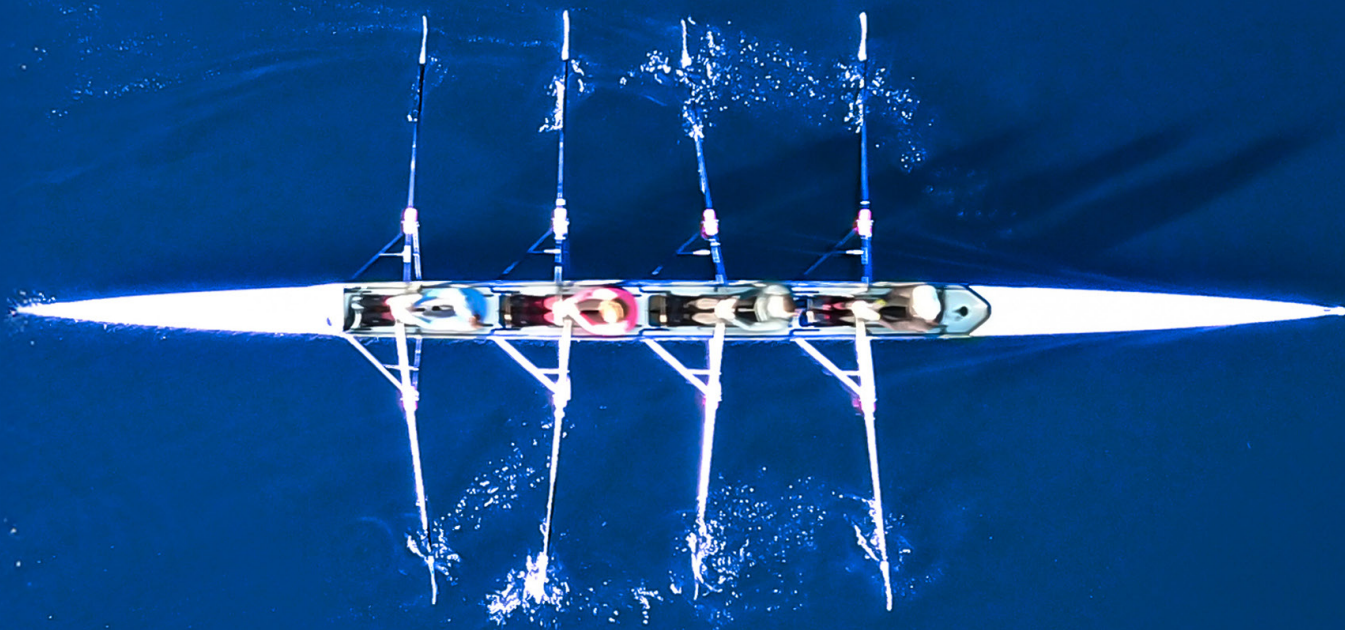




# Smartsourcing: A strategic guide for asset owners and managers

March 2025



# Contents

- 3** Introduction
- 4** What is smartsourcing and is it the right fit for you?
- 6** How can State Street help you?
- 7** What are the benefits?
- 9** Case study 1: An asset owner's journey to accelerated transformation
- 11** Case study 2: Partnered trading: Flexible talent and specialisation through smartsourcing
- 13** Getting started with smartsourcing

# Introduction

Today's rapidly evolving markets demand a flexible operating model that is scalable for growth, provides greater transparency and can evolve to meet future needs.

During a recent [roundtable discussion](#), Barnaby Edmunds and Liana Mackay of 1886 Consulting, Clayton Issitt, head of Alpha® Solutions, Asia Pacific at State Street and Peter Sherriff, director of Product Strategy at Charles River® explored the concept of smartsourcing, and how a smartsourced model can drive your business forward.

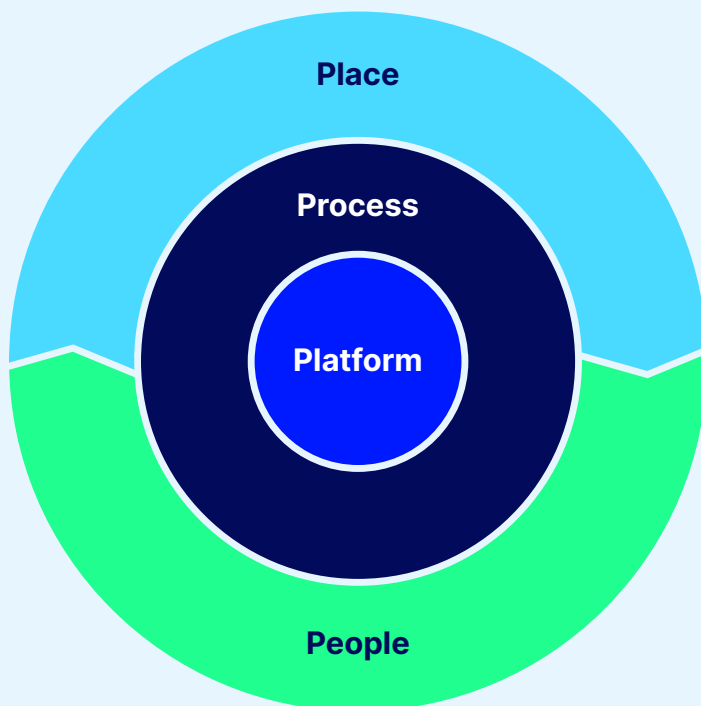
This playbook has been designed to showcase how firms can carefully **craft, adapt and execute an operating model** that is built to suit both their current and future business goals.

# What is smartsourcing and is it the right fit for you?

Smartsourcing allows firms to customise operating models – unlike traditional outsourcing, which often involves delegating entire departments or processes — striking a controlled balance between internalised and outsourced capabilities.

From an asset servicing perspective, it encompasses four key elements of an operating model:

## Operating model key elements



- The **place** (in relation to the capability that is being insourced/outsourced)
- A firm's established operational **processes**
- The **platform** on which the operating model runs
- **People** with the right skill sets

## What are key factors driving smartsourcing?

Several industry trends are driving interest in this concept.

**Consolidation** through mergers and acquisitions has led to the creation of investment giants and mega funds. This industry transformation has enabled funds to re-evaluate their operating models and seek more flexible solutions that will optimise the benefits of scale and strike the right balance between internal capabilities and external partnerships.

Meanwhile, expansion into both **new markets** and **new asset classes** requires robust partnerships to support growth and understand the associated regulatory requirements.

**Demographic shifts** have also made it difficult to bring this talent in-house, as it has become more complex to find the right skills and experience in key financial centres.

Amidst these shifts, it's important for firms to stay nimble and ask the essential questions of their operating model:

- Do we have the capacity to grow with our existing skillsets and competencies?
- Does our current operating model enable us to adapt and adhere to upcoming regulatory changes?
- Do we have a trusted partner to complement the areas where we require support?
- Can our partner(s) efficiently keep pace as our resources and strategic direction change?
- Does our existing technology stack have the flexibility to seamlessly integrate with third-party software?





# How can State Street help you?

At State Street, we offer a range of smartsourcing capabilities that can be delivered in two ways:

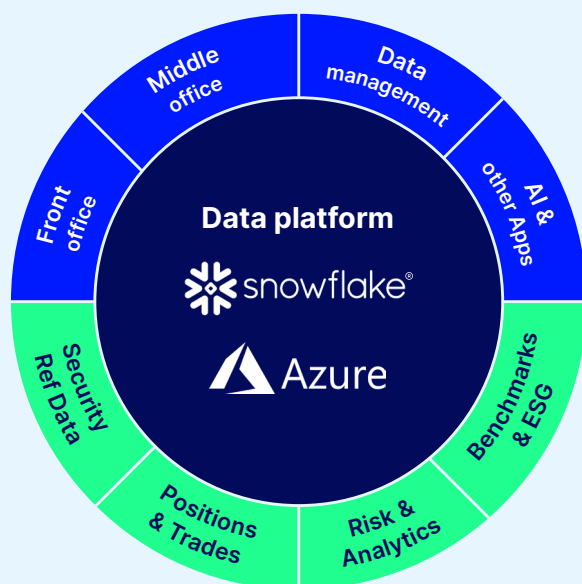
- **As a service:** State Street manages and executes the functions for you
- **As software:** You run the software, managing the functions internally

This flexible approach helps firms like yours optimise operations, reduce costs and focus on core competencies, leveraging external expertise and technology where needed.

Operating model design conversations have become increasingly nuanced, and clients are looking for a platform that can adapt to their operating model needs, and allow choice and flexibility in which components of the investment lifecycle they manage internally, and where they lean on a partner.

The cloud native [Alpha Data Platform](#) sits at the heart of our ecosystem, seamlessly connecting a firm's investment data to trusted third-party data and applications without the complication of expensive IT operations to move data between systems. New data sourced from a multitude of vendors can be connected with ease via the Snowflake Data Marketplace.

## Data centric investment platform



- Single source of truth across investment workloads
- Leverages snowflake data share to eliminate data movement and reconciliation
- Unified platform for aggregation, management and distribution

# What are the benefits?

**Smartsourcing offers several advantages that can help drive your business forward, such as:**

## **Autonomy and flexibility**

You can pick and choose which components in the investment lifecycle you manage internally, and depend on a partner that operates as an extension of your team for the external components, based on where you are in your evolution. Additionally, flexibility is key to interoperability. A plug-and-play ecosystem consolidates your interfaces, creating a unified experience, and reduces the fragmentation of data and processes.

## **Scalability and growth**

Smartsourcing offers a scalable solution underpinned by technology and services that evolves with and supports your growth ambitions. Importantly, a smartsourced model can seamlessly transition between internally and externally managed capabilities without substantial capital investment.

## **Predictable costs**

Traditionally, the first barrier to entry for outsourcing was cost. However, smartsourcing allows you to tailor solutions to your business needs in a more scalable way, providing transparency, flexibility and predictability. Having greater clarity on your cost base enables you to optimise your resource allocation and reduce the need for extensive in-house infrastructure.

## **Access to expertise**

Smartsourcing helps you gain access to a wealth of expertise and cutting-edge technology, which can enhance capabilities and service quality. Additionally, by building long-term strategic partnerships with outsourcing providers, you benefit from local knowledge and global scale, and can leverage best practices and ongoing investment to provide flexible, innovative solutions.

## Data transparency and control

As long as your data resides within the platform, you will have full ownership and end-to-end visibility over the data, regardless of who's working on it. This provides a comprehensive audit trail and reduces risk by ensuring full visibility into any adjustments made and actions taken.

- **Data-as-a-Service (DaaS)** is an example of where smartsourcing is changing the game, offering organisations greater control over data governance and processes. At State Street, our DaaS

capabilities have evolved to be a shared platform with a single user experience. This allows our clients to visualise front office, custody, risk, compliance and performance data from a single desktop. By delivering this capability on an enterprise platform, it unifies the user experience by blurring the requirement of place and providing clients with choice on where in the data lifecycle they want to participate – whether through access to the enrichment process, governance process, or simply as consumers.





# An asset owner’s journey to accelerated transformation

We partnered with an investment firm that was looking to increase their in-house investment capability. In order to do so, they needed a simplified technology and services stack, a true start-of-day exposure view across the fund, and the inherent scale and agility to enable their continued growth.

Investment data is highly complex, and most firms will have data residing in a combination of fragmented systems that are costly to maintain. At the outset, this client was facing three key challenges:

- **Multiple fragmented, and manual systems** and processes which limited the visibility of portfolio performance, and a dependency on normalised, outdated data from 17 systems to make decisions.

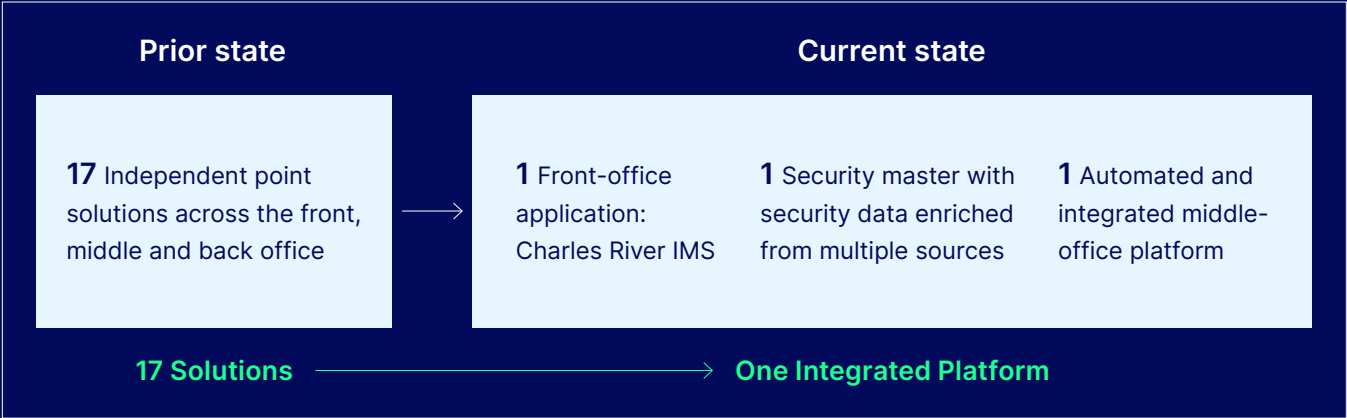
- **Relied entirely on outsourced providers** who operated in silos and were potentially making decisions that were working against each other due to lack of visibility.
- **Delayed portfolio performance** meant that intraday, real-time investment decisions were not possible due to a two-day delay in accessing portfolio performance data.

We were able to solve for this by rationalising **17 point solutions into one integrated platform.**

The solution provided a security master with data validated and enriched from multiple sources, an automated and integrated middle-office platform, and an exposure book of record updated intraday through one front-office application.

**Client profile:** Asset owner with over AU\$70B AUM and 1.9M members

**Challenge:** After updating their investment governance, they sought a partner to expedite their transformation, aiming to achieve improved outcomes for their members.



Successful outcomes for the client included:

- **Operational efficiency and scale:** A single data platform that eliminated manual workflows and saved time spent in trade execution and post-trade management. Utilising cloud-based technology allowed for scalability, rapid deployment, and reduced overhead cost and maintenance.
- **Access to real-time data:** Enabled smarter, real-time decision-making by eliminating traditional data lag with an intraday view of portfolio performance and near real-time transaction updates.
- **Risk and analytics capability:** Gained the ability to leverage market-leading risk analytics through pre-built, seamless integrations with an extensive partner network.
- **Enhanced regulatory response:** Better data transparency – and the ability to report on a granular level – allowed the client to meet regulatory requirements

with ease. In parallel, they future-proofed their tech stack to accommodate upcoming regulatory requirements through well-managed, well-governed data across securities, positions and sustainability information.

- **Single source of truth:** A single data platform with a unified data set that they can trust, regardless of its origin, gave the client the ability to use data from multiple platforms with inbuilt enterprise data management, governance and orchestration capabilities. This reduced the dependency on IT for interpretation, de-duping and scrubbing.

By deploying this solution, the client now has an operating model that meets their current business needs and capabilities and has the capacity to evolve as they continue to grow.



## Partnered trading: Flexible talent and specialisation through smartsourcing

A long-standing State Street client was looking to optimise their operating model. With US\$10 billion in assets under management (AUM), the client had 30 funds in Global Equity and Fixed Income, and multiple custodians (including State Street). Increasing operating expenses meant they faced pressure from their board of directors to optimise their operating model and reduce costs.

Working closely with the client, our [Partnered Trading](#) team reviewed the existing front-to-back trade and settlement workflow, and identified various areas that could be improved by minimising costs and streamlining operations.

Our initial findings included:

- **Trading:** Overly complex broker panel with high commission rates
- **Order management system:** Maintaining two separate OMS platforms
- **Complicated middle-office set-up:** Multiple middleware platforms, redundant reconciliations, unnecessary matching and allocations with brokers
- **Inefficient custodian messaging:** Third-party delivery of trade instructions to custodians

- **Manual FX processing:** Manual FX trade files being sent to State Street FX
- **Limited data and analytics:** Access to broker research only
- **Staffing:** 100+ Investment Trading and Operations personnel

We worked in partnership with the client to recommend and implement an optimised workflow, which generated the following results:

- **Multi-asset trading via our Partnered Trading desk:** 24/6 coverage providing broker-neutral execution that leverages a global panel of over 200 broker counterparties – eliminating the need for multiple broker connections and reducing commission rates
- **Order generation via one OMS:** Eliminated the need for multiple OMS platforms
- **Trade settlement monitoring:** Our team monitored and triaged fails working directly with the client's custodians
- **Seamless integration of custody:** Automated delivery of trade settlement instructions were sent to the client's custodians via SWIFT<sup>1</sup>

1. SWIFT capabilities are currently available via our US-domiciled entity, State Street Bank & Trust Company. Clients wishing to contract with a non-US entity will have access to these SWIFT capabilities in the near future upon full integration of the CF Global entities into the State Street infrastructure. Please contact your State Street representative for more information.

- **Automated FX:** All security-related FX execution and settlement automated via SWIFT to State Street FX
- **Enhanced data, analytics and expert insights:** Maintained access to broker research and gained access to our suite of research, reports and transaction cost analysis with support from our Portfolio Strategy team
- **Realigned client focus:** 70+ client team members were now free to focus on more critical alpha-generating functions

It is increasingly clear that [partnered trading](#) can suit diverse investment needs; When executed well, it can act as an extension of your team, enable you to access markets, trading resources and trade protocols while enhancing the resilience of your trading strategy.

As firms seek to reduce costs, navigate market volatility and expand their offerings, smart sourcing with trusted partners on a tailored approach can deliver the flexibility and agility they need.

**As firms seek to reduce costs, navigate market volatility and expand their offerings, smart sourcing with trusted partners on a tailored approach can deliver the flexibility and agility they need.**



# Getting started with smartsourcing

**When considering smartsourcing, several key factors should be considered.**

## **Internal versus external capabilities**

A continuously evolving operating model is necessary to manage an investment firm's growth ambitions. No two companies are identical, so it's not a case of doing what everybody else is doing when it comes to smartsourcing. Before diving in, firms should conduct a thorough assessment of current operations, including legacy systems, internal capabilities and talent, as well as competitive differentiators to identify which functions should be retained internally versus those that could benefit most from external support.

## **Transparency and flexibility**

Smartsourcing offers transparency and flexibility, allowing for tailored solutions without the need for an "all-in" approach.

Previously, operating model design often followed a one-size-fits-all approach, neglecting the unique needs and strategies

of individual firms. Today, there's a growing recognition that a tailored operating model is essential for supporting firms' growth aspirations. Firms are increasingly seeking specialist advice to develop models that are flexible enough to adapt to their specific circumstances.

## **Control and risk**

Smartsourcing involves sharing control over certain functions. This can introduce new risks and requires a robust risk management strategy, and a full audit trail.

You should keep in mind that gaining scale through a smartsourcing provider doesn't necessarily diminish risk or internal accountability. Rather, it's about providing more optionality around the operating landscape.

## Finding a trusted partner

The success of smartsourcing heavily depends on your choice of partner.

For investment firms to be solution-oriented and deliver increased scale and complexity, it's crucial that your service providers are also solution-oriented. Look for a smartsourcing partner that can meet you where you are on your journey and evolve with you as you grow.

Ensure they have the right technological capabilities, and robust software solutions that can seamlessly integrate with your systems.

**At State Street, our smartsourcing approach balances control, customisation and partnership, allowing you to focus on your core competencies while we manage the operational complexities.**



**Jason Rich**  
Head of Sales,  
Asia Pacific, State Street  
Email: [JPRich@statestreet.com](mailto:JPRich@statestreet.com)  
Ph : +65 6826-7288



**Cara Brosnan**  
Head of Sales,  
Australia, State Street  
Email: [cbrosnan@statestreet.com](mailto:cbrosnan@statestreet.com)  
Ph : +61 (2) 9323-6102



**Dennis Baillon**  
Director of Sales, Asia Pacific,  
Charles River Development  
Email: [DBaillon@crd.com](mailto:DBaillon@crd.com)  
Ph : +61 (3) 8628-0100



**Axl Choi**  
Head of Sales,  
North Asia, State Street  
Email: [axlchoi8@statestreet.com](mailto:axlchoi8@statestreet.com)  
Ph : +852 3556-1192

The material presented herein is for informational purposes only. The views expressed herein are subject to change based on market and other conditions and factors. The opinions expressed herein reflect general perspectives and information and are not tailored to specific requirements, circumstances and/or investment philosophies. The information presented herein does not take into account any particular investment objectives, strategies, tax status or investment horizon. It does not constitute investment research or investment, legal, or tax advice and it should not be relied on as such. It should not be considered an offer or solicitation to buy or sell any product, service, investment, security or financial instrument or to pursue any trading or investment strategy. It does not constitute any binding contractual arrangement or commitment of any kind. State Street is not, by virtue of providing the material presented herein or otherwise, undertaking to manage money or act as your fiduciary.

You acknowledge and agree that the material presented herein is not intended to and does not, and shall not, serve as the primary basis for any investment decisions. You should evaluate and assess this material independently in light of those circumstances. We encourage you to consult your tax or financial advisor.

All material, including information from or attributed to State Street, has been obtained from sources believed to be reliable, but its accuracy is not guaranteed and State Street does not assume any responsibility for its accuracy, efficacy or use. Any information provided herein and obtained by State Street from third parties has not been reviewed for accuracy. In addition, forecasts, projections, or other forward-looking statements or information, whether by State Street or third parties, are not guarantees of future results or future performance, are inherently uncertain, are based on assumptions that, at the time, are difficult to predict, and involve a number of risks and uncertainties. Actual outcomes and results may differ materially from what is expressed herein. The information presented

herein may or may not produce results beneficial to you. State Street does not undertake and is under no obligation to update or keep current the information or opinions contained in this communication.

To the fullest extent permitted by law, this information is provided “as-is” at your sole risk and neither State Street nor any of its affiliates or third party providers makes any guarantee, representation, or warranty of any kind regarding such information, including, without limitation, any representation that any investment, security or other property is suitable for you or for others or that any materials presented herein will achieve the results intended. State Street and its affiliates and third party providers disclaim any warranty and all liability, whether arising in contract, tort or otherwise, for any losses, liabilities, damages, expenses or costs, either direct, indirect, consequential, special or punitive, arising from or in connection with your access to and/or use of the information herein. Neither State Street nor any of its affiliates or third party providers shall have any liability, monetary or otherwise, to you or any other person or entity in the event the information presented herein produces incorrect, invalid or detrimental results.

To learn how State Street looks after your personal data, visit: <https://www.statestreet.com/utility/privacy-notice.html>. Our Privacy Statement provides important information about how we manage personal information.

No permission is granted to reprint, sell, copy, distribute, or modify any material herein, in any form or by any means without the prior written consent of State Street.

©2025 State Street Corporation and/or its applicable third party licensor. All rights reserved.

7727825.1.1.GBL.INST  
Expiration date: 03/11/2027



State Street Corporation  
One Congress Street, Boston, MA 02114-2016  
[www.statestreet.com](http://www.statestreet.com)