

South-east Asia: a new powerhouse for the fund industry

Fast growth in South-East Asia is driving rapid evolution in the fund industry across the region. Patrick Tan, Regional Director, and Ugo Bruno, Business Solution Director at Temenos Multifonds Asia, explore each country's challenges and opportunities and how they can meet the market's demands.

The ASEAN region is set to become the world's fourth-largest economy by 2030¹, with a young population and a growing educated middle class. It's therefore no surprise that the fund industry in the region is expanding too, as people become wealthier and investment markets mature. PwC estimates that AUM in the Asia-Pacific region is growing faster than anywhere else in the world², with a CAGR of 8.7% taking it to \$29.6 trillion by 2025.

The region is seeing a "revolution" in its asset and wealth management industry, driven by technological change and growth in both retail funds and alternatives. Fast-evolving regulations in different countries create challenges for asset managers and asset servicers, while a younger demographic of investors is demanding more digitised engagement.

According to McKinsey, the fund industry will need to respond to these trends by "industrialising" with more automation and efficiency, shifting from products to more sophisticated solutions, and digitising.

Markets within the South-East Asia region have their own dynamics and challenges, summarised by our regional experts below:

Indonesia

Out of a population of 280 million, only 13 million are currently invested in mutual funds but the market is growing fast. This creates a challenge for the industry: for example, one of the largest funds currently has 3 million investors, with month-end dividend distribution involving very high volumes of small sums. Anticipated growth to 35 million investors over the next few years is starting to happen now, so volume is the Indonesian industry's #1 challenge. Any solution must also be flexible enough to handle changing regulations.



Overall, the ASEAN market has the opportunity to take advantage of systems with the balance of advanced technology and functionality that gives asset servicers a competitive edge in providing quality services now and for the future."

Patrick Tan
Regional Director
Temenos Multifonds, Asia

¹<https://sbr.com.sg/economy/asia/asean-become-worlds-fourth-largest-economy-2030-singapore-pm-lee>

²<https://www.pwc.com/sg/en/asset-management/assets/asset-management-2025-asia-pacific.pdf>

³<https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/Asian%20asset%20management%20Protecting%20and%20creating%20value%20in%20disruptive%20times/Asian-asset-management-Protecting-and-creating-value-in-disruptive-times.ashx>

Thailand

The \$12 billion Thai fund industry comprises a mixture of public, hybrid, private and provident funds, mostly fixed income but with some mixed and alternative funds. Accounting services and fund administration are provided in several different ways – by Mutual Fund Supervisory Services, a NAV verifier acting as custodian to provident or private funds, back-office administration services (for insurance and asset management companies) and portfolio valuation services. Challenges in this market therefore include complex regulatory requirements, and in-house legacy systems that make it difficult to create the automation that will help asset servicers work more efficiently.

Malaysia

The ability to handle Shariah funds and Islamic accounting standards is a key requirement for the fund industry in Malaysia. This market is also currently subject to regulatory change, and now requires asset managers to manage their own accurate NAV calculations: they can no longer use estimates. Insurance companies in Malaysia are also ramping up their technology to support the funds business. Malaysia is already a relatively mature market in terms of its use of specialised fund accounting solutions, but the overall market is well-positioned for more scalable and flexible systems to meet its growing needs.

Vietnam

Vietnam is a booming economy that has the potential to be a huge market for the fund industry over the next 5-10 years. Led by an initiative from its regulator, the market is aiming to learn from mature markets such as Thailand, Indonesia and Luxembourg to assess best practice for its legal framework. In terms of technology, firms in Vietnam use many legacy

systems, with in-house tech and off-the-shelf accounting systems to manage fund administration and accounting. This proliferation of systems also creates a great deal of manual work. It also points to a huge growth opportunity in Vietnam for technology change, especially as systems will need to be flexible to deal with growing regulation and demands for transparency and accuracy. The market has huge potential to leapfrog from ‘frontier’ to ‘emerging’, quickly achieving the levels of technology and growth seen in more developed countries.

Philippines

The funds market in the Philippines is growing at a rapid pace to cater to the needs of a diverse group of investors. While the overall market saw less traction in 2022 to 2023, it provides an opportunity for asset servicers to think more deeply into how technology can play a better role in their overall business processes. The Philippines has embraced SaaS and open technologies, as they offer a way to reduce operating costs, and uses a combination of local providers and in-house solutions for asset servicing.



The booming ASEAN market is currently underserved. There is an opportunity to leverage Multifonds’ best-of-breed fund investment system, which is widely adopted internationally, while being capable of perfectly handling local requirements and regulations.”

Ugo Bruno

Business Solution Director
Temenos Multifonds, Asia

One source code for the ASEAN fund industry

As the ASEAN fund industry develops, it needs a system that can help support and accelerate its growth across the region. The challenges we see in different countries suggest that solutions for fund accounting and administration should have three key characteristics:

1. Flexibility. The rate of regulatory change and range of asset classes being used mean that fund administration and accounting systems need to be as flexible as possible. An ideal system should offer user-definable asset classes and posting rules, and a highly flexible accounting chart and ledger, enabling firms to adapt quickly to change without the need of any core development which boosts the overall time-to-market.

2. Connectivity. Open-source API technology with a range of out-of-the-box connectors allows for easy connectivity between different systems.

3. Stability. With a flexible, modular system used across the region which emphasizes the principle of being “global but local”, ASEAN countries can have a ‘single source code’ for the funds market, creating a foundation for stability and common processes.

Authors



Patrick Tan 
Regional Director
Temenos Multifonds, Asia

Patrick has over 25 years of experience in the financial services sector across Asia. He brings knowledge across the business and technology domain to the banking and funds industry.



Ugo Bruno 
Business Solution Director
Temenos Multifonds, Asia

Ugo has over 20 years of experience in the financial services industry. Having started his career at State Street Bank in Luxembourg, he has occupied different roles across consulting, product and presales positions.