

# Operational due diligence

## Asset management



### Why is operational due diligence important for your business?

- Operational failures tend to result in large losses
- Increased regulatory requirements for operational risk
- Rise in non-traditional investments requires rigorous evaluation and monitoring
- Greater focus on outsourcing of the investment management function
- Interdependencies exist between operational risk and other risk categories

### Operational risk impacts other risk categories



#### Legal risk

Poorly drafted arbitration clauses in ISDA contracts leading to potential litigation



#### Liquidity risk

Manager has the right to adjust liquidity terms, giving rise to illiquidity risk



#### Business risk

Specific tasks assigned to a single individual rather than a team exposes the manager to key person risk



#### Reputational risk

Operational errors resulting in damage to brand name



#### Market risk

Inadequate trading controls resulting in unwarranted market risk



#### IT risk

Risk of false trading signals due to uncontrolled system

Despite the overlap, a separate due diligence is recommended because of the specific skills required, and to ensure an independent review.

#### Investment due diligence

- Capacity
- Financial risks
- Fiscal costs
- Performance
- Philosophy
- Portfolio construction
- Research/idea generation

#### Operational due diligence

- Asset flows
- People
- Remuneration
- Reporting
- Administration
- Cash management
- Governance
- IT
- Legal & compliance
- Risk management
- Service providers
- Structure
- Tax function
- Trading
- Valuation



# Meeting your needs

The scope of due diligence should be tailored to the needs of the asset manager. We can provide a core assessment of your business which can then be expanded to an in-depth review of each operational risk category.



Being at the centre stage of new regulations and industry trends, we are well placed to provide you with an independent and objective review report, supported by deep content knowledge and pragmatic methodologies to assist you in making your decision.

## Contact us



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