



**PRESS RELEASE**  
**RISK OFF, RISK ON: Asia-Pacific  
Institutional Investors Prioritising  
Improved Approach to Risk**

- *APAC institutional investors with combined AuM exceeding USD2.2tr unanimously note **changing risk culture** in their organisations*
- *63% of institutions across 11 APAC countries agree that financial crisis has **changed their investment approach***
- ***Australia, Japan and Hong Kong** asset owners favour risk budgeting when modifying their investment strategy*
- *60% mention regulatory **risk reporting** as having some or **significant impact***
- *44% report **asset allocation** as having become **more conservative***
- *Regulatory reporting requirements key challenge for **Australia, Indonesia and Indian** asset owners*
- ***Chinese asset owners** moving towards **developing their own credit rating systems** for investments*

**Hong Kong – 30 October 2013** – Asset owners in Asia-Pacific have experienced a fundamental shift in attitudes towards risk since the financial crisis, leading them to favour more conservative investment and asset allocation strategies, and place an even greater focus on risk. This is according to a survey by BNP Paribas Securities Services of major institutional investors in the Asia-Pacific region, which together represent more than USD2.2tr in assets under management. KPMG was commissioned to undertake the research between April and June 2013.

All 27 asset owners surveyed reported more emphasis on risk within their organisations in line with growing corporate governance and increased regulatory scrutiny in the region. Management teams and boards of directors of pension funds, insurers, sovereign wealth funds and other asset owners in the region are looking for more detailed information on risk and performance of their investments and asset managers, according to the research.

63% of respondents agreed that the financial crisis changed the investment approach within their organisations, and almost half of those felt that their allocations had



become more conservative – linking this to the overall risk-aware appetite of the organisation. Fixed income, or assets with fixed income-like qualities, were reported to be an area for increased investment as the region’s asset owners were attracted to the stable cash flows and less volatile returns of those instruments. It also emerged that hedge funds were consistently avoided by respondents, following what they perceived to be weak performance and issues around fees and credibility in the region.

Of the respondents who chose risk budgeting as the most important consideration when modifying their investment strategy, 78% were from Australia, Japan and Hong Kong. They saw risk budgeting, when the investor targets a total level of risk by splitting risk across the portfolio, as a natural evolution in line with asset managers across the globe who – while continually pushing for returns – are more focused on creating a balance between risk and returns. In contrast, other respondents from emerging economies such as China, Indonesia and India prioritised performance.

60% of the asset owners indicated that regulatory risk reporting had “some” or “significant” impact on their organisation, hinting at the operational challenges that lie ahead with increasing regulation. Australian asset owners in particular, pointed to the upcoming issuance of the “Stronger Super” reforms by their government this year, indicating that they are gearing up for additional regulatory requirements.

Madhu Gayer, head of investment reporting and performance, Asia-Pacific, BNP Paribas Securities Services said, “Although the global economy is recovering and Asia’s proved more resilient than most, it’s clear that 2008 was a watershed for asset owners in Asia-Pacific with profound change in their attitudes towards risk. They face a number of major challenges to integrating risk culture into their organisations. Data management, regulatory compliance and reporting, as well as talent management are all factors contributing to the overwhelming expectation from institutional investors in the region that spending on risk and performance measurement will rise in the next three to five years.

“BNP Paribas Securities Services is well placed to help asset owners in the critical areas of investment oversight, operational efficiency and regulatory compliance, as they adapt their strategies in the new environment.”

Bonn Liu, Partner at KPMG China, noted, “Asset owners in the region are facing a number of really uniform challenges although some will resonate more strongly. What is clear though is that on one front regulation is increasing while risk efficient yields are becoming harder to achieve, pushing asset owners into new territory in terms of asset allocation.”

As they expand their investment scope, seek increased diversification and look to introduce more environmental, social and governance factors into their investment strategies, asset owners in the region will continue to boost their analysis and reporting capabilities. Almost 75% of the region’s largest institutional investors expect to increase spending in this area and they see value in strengthening their relationships with their custodians and service providers to better face the challenges. This research



demonstrates that while a number of Asia Pacific asset owners have made big strides in enhancing their capabilities, a lot more remains to be done.

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**Notes to editors**

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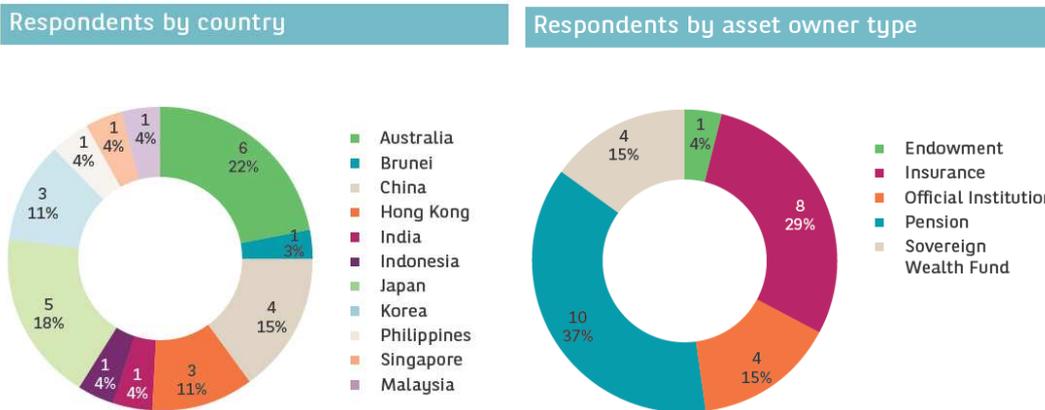
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**About the survey**

27 asset owners, based in 11 countries across Asia Pacific were interviewed about the strategic developments and emerging issues surrounding the expanding asset base and investment scope of asset owners in Asia Pacific. The survey took place between April and June 2013 inclusive, and comprised 26 questions structured around three key themes:

- Drivers of change
- Operational trends
- Operational challenges

The interviews were approximately one hour in length and were conducted face to face or over the phone. Eight interviewees opted to provide written replies. Through these discussions and responses, the survey captures the diverse views of the market and offers insights into the dynamic and changing environment in which asset owners operate.



Respondents included public and private pension funds, official institutions (including central banks, statutory boards, and other official agencies), sovereign wealth funds, endowments and insurance companies, representing some of the largest and most prominent asset owners in Asia Pacific:

- Total assets for all respondents exceed USD2.2 trillion
- Over 70% are among the top 75 largest asset owners in Asia Pacific
- Four are among the top 10 insurers in Asia Pacific
- Two are among the 10 largest sovereign wealth funds in Asia Pacific
- Two are among the five largest superannuation funds in Australia

**About BNP Paribas**

BNP Paribas ([www.bnpparibas.com](http://www.bnpparibas.com)) has a presence in nearly 80 countries with 190,000 employees, including 145,000 in Europe. It ranks highly in its three core activities: Retail Banking, Investment Solutions and Corporate & Investment Banking. In Europe, the Group has four domestic markets (Belgium, France, Italy and Luxembourg) and BNP Paribas



Personal Finance is the leader in consumer lending. BNP Paribas is rolling out its integrated retail banking model across Mediterranean basin countries, in Turkey, in Eastern Europe and a large network in the western part of the United States. In its Corporate & Investment Banking and Investment Solutions activities, BNP Paribas also enjoys top positions in Europe, a strong presence in the Americas and solid and fast-growing businesses in Asia-Pacific.

#### **About BNP Paribas Securities Services**

BNP Paribas Securities Services (<http://securities.bnpparibas.com>), a wholly owned subsidiary of the BNP Paribas Group, is a leading global custodian and securities services provider backed by a strong universal bank. It provides integrated solutions to all participants in the investment cycle including the buy side, sell side, corporates and issuers.

The bank has a local presence in 34 countries across five continents, effecting global coverage of more than 100 markets. It partners with clients to help overcome complexity, while offering a one-stop shop for all asset classes, both onshore and offshore, around the world.

Key figures as of 30 June 2013: USD 7,679 billion assets under custody, USD 1,381 billion assets under administration, 6,979 administered funds and 7,900 employees.

#### **About KPMG International**

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 156 countries and have 152,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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