



The COO's guide to middle-office outsourcing & Aladdin® Provider

In collaboration with BlackRock

Aladdin[®]
by BlackRock

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Why consider outsourcing the middle-office?

Outsourcing the middle-office is increasingly recognized as a strategic move for asset managers aiming to address **cost pressures**, **operational complexity**, and the need for **scalable infrastructure**.

COST PRESSURES

Regulatory compliance, trade operations, risk management, and reconciliations are among the largest expenditures for operations departments. Outsourcing these functions to the right provider can help manage these costs more effectively, while also ensuring that firms remain agile and responsive to evolving regulatory demands.

By partnering with specialized asset servicers, firms can achieve considerable cost efficiencies—leveraging lower-cost locations and reducing headcount—which allows capital to be shifted to operational expenditure. This transition enables asset managers to focus internal resources on higher-value activities and strategic growth, **transforming the middle-office from a traditional cost center into a driver of competitive advantage**.

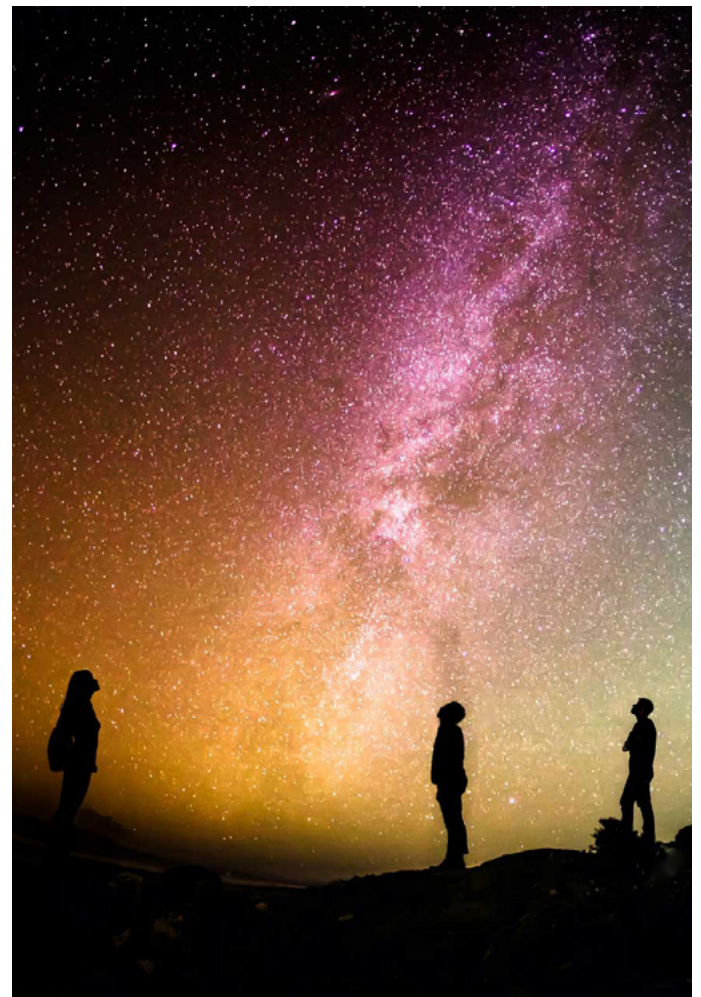
OPERATIONAL COMPLEXITY

The ability to consolidate platforms and service models is crucial for long-term profitability. While there are valid concerns that outsourcing the middle-office can lead to increased complexity, choosing a solution that maintains a **single Investment Book of Record** and provides **real-time visibility** can achieve both cost efficiencies and operational control.

SCALABLE INFRASTRUCTURE

Flexibility is another key advantage, as outsourcing is not a single-model approach. From fully insourced to hybrid and fully outsourced arrangements, asset managers need a choice to select the approach that best fits their strategic agenda and operational footprint.

In summary, outsourcing the middle-office offers asset managers a pathway to cost savings, operational efficiency, enhanced transparency, and greater flexibility, while enabling them to focus on their core business and adapt to a rapidly changing market environment.



What is Aladdin Provider?

Aladdin Provider is a technology that helps asset managers and asset servicers to collaborate more efficiently by enabling tighter workflows and leaner operating models. With Aladdin Provider, asset managers can leverage **a more efficient front-to-back operating model**; better manage operational risk with real-time oversight; and achieve **a quicker transition to their target state**. By inviting the world's largest asset servicers to perform middle-office functions, asset managers benefit from **cross-organizational alignment, while retaining control**.

Aladdin Provider combines data access and system access arrangements to facilitate operational partnerships. The model allows asset managers to leverage a front-to-back operating framework, where core middle- and back-office functions—like confirmations, settlements, corporate actions, data management, and reconciliations—are performed by asset servicers using the asset manager's instance of Aladdin®.

This approach offers several benefits. By operating from **a single source of data**, both asset managers and servicers eliminate the need for reconciling different systems and double keying activities. This not only streamlines workflows but also enables staff to focus on higher-value tasks. The transparency and data consistency inherent in the Aladdin Provider model enables a more efficient deployment of talent, fewer errors, and easier issue resolution.

Aladdin Provider is not a one-size-fits-all solution. In its simplest form, the asset

servicer uses native Aladdin functionality to perform middle- and back-office functions for the asset manager. More advanced models include the asset servicer running shadow accounting and performance on Aladdin, or even hybrid arrangements where some functions are performed on proprietary systems.

In summary, Aladdin Provider is a partnership-driven operating model that enables asset managers to outsource middle- and back-office functions to asset servicers, all within the unified environment of the Aladdin platform. This delivers operational efficiency, transparency, and the ability to scale, while retaining control and oversight over critical investment operations.



Operational benefits and challenges of outsourcing to Aladdin Provider

Outsourcing middle-office operations to Aladdin Provider offers asset managers a range of operational benefits. One of the most significant advantages is the ability to operate from a single source of data, which eliminates the need for reconciling different systems and double keying of activities.

Key benefits:

- **Single source of data:** Eliminates reconciliation and duplicate data entry.
- **Cost savings:** No need to replicate data across multiple systems.
- **Operational efficiency:** Staff can shift focus to higher-value tasks.
- **Error reduction:** Fewer manual processes mean fewer mistakes.

Importantly, asset managers gain **real-time oversight** and visibility in one platform of all exception statuses across all middle-office workflows. This reduces the costs associated with replicating data across separate systems and removes latency.

Additional advantages:

- **Reduced latency:** Eliminates delays caused by mismatched data models.
- **Faster issue resolution:** Unified workflows simplify problem-solving.
- **Enhanced governance:** Centralized dashboards and KPI reporting enable comparative analysis.
- **Choice of provider:** Gives clients flexibility in choosing the right provider partner. Clients are not “locked-in” to a single provider option.

As providers take on more middle-office business, maintaining scale and operational efficiency becomes critical. Aladdin continues to invest in middle-office capabilities that enable providers to operate efficiently across multiple client environments. This high level of operating efficiency allows providers to scale effectively while delivering a differentiated client service experience.

There are also considerations around data governance and the management of service level agreements, which require robust solutions such as shared KPI dashboards to ensure both parties have clear visibility into performance and outcomes.



How Strata supports Aladdin Provider clients

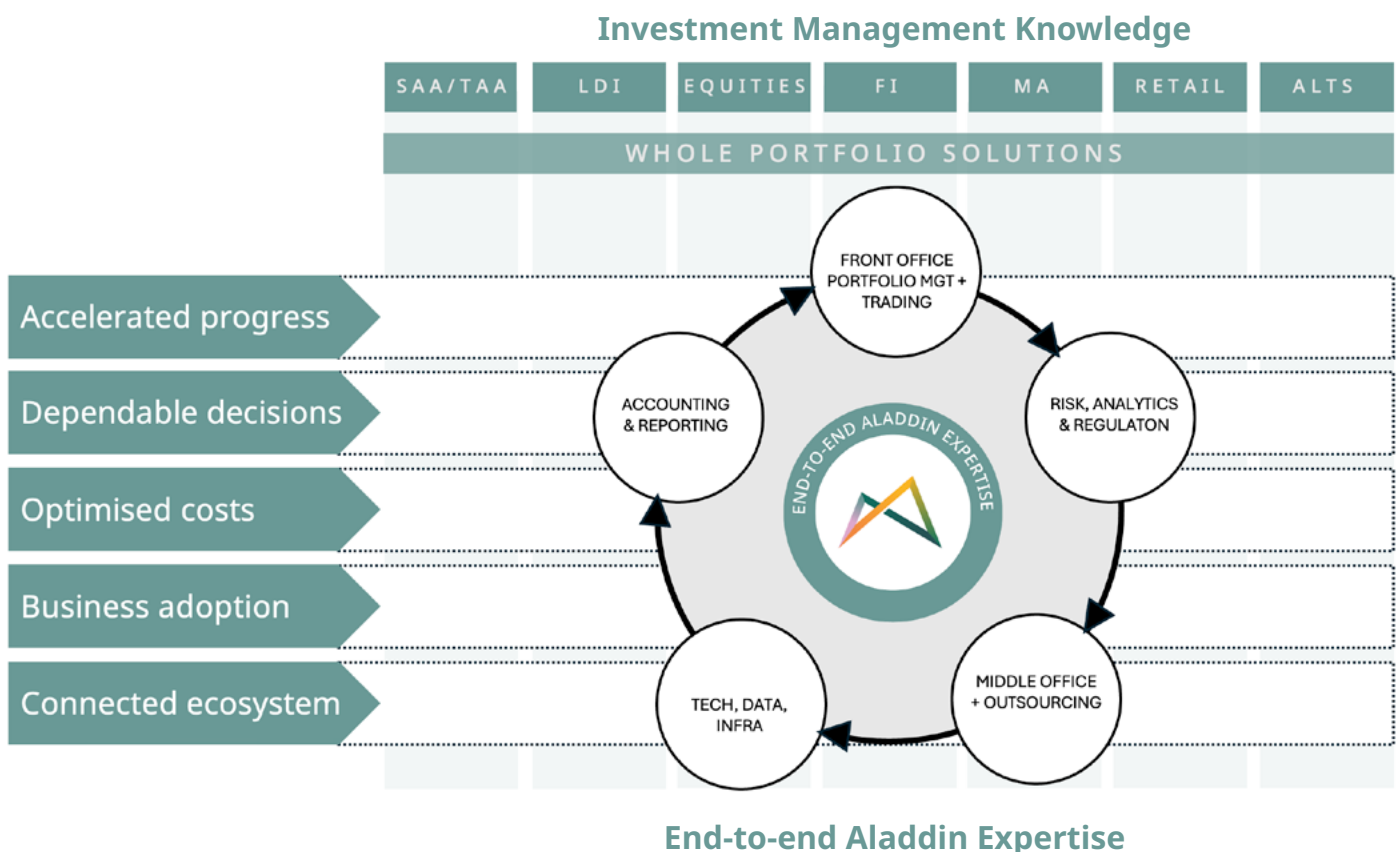
Strata offers a comprehensive suite of services designed to support both asset managers and asset servicers as they connect into the Aladdin ecosystem. With deep expertise in BlackRock’s enterprise Aladdin and eFront platforms, Strata provides end-to-end guidance across the investment lifecycle, including front office and trading, middle-office outsourcing and Aladdin Provider integration, accounting, performance, client reporting, risk, regulation, compliance, technology, data, and infrastructure.

Strata’s strong track record in delivering the Aladdin Provider model means clients benefit from a practitioner-led implementation experience and methodologies that underpin successful adoption. The firm regularly advises on target operating models, helping asset managers select the best-fit solution—whether outsourcing the middle-office, implementing Aladdin within an existing

outsourced model, or transitioning between providers.

Beyond advisory and implementation, **Strata specializes in integration and enterprise data strategy, enabling effective governance and cost-effective scale for outsourced middle-office operations.** The company delivers ongoing operational efficiencies—“operational alpha”—to drive competitive advantage for both asset managers and asset servicers.

To accelerate transformation and optimize operations, **Strata provides accelerators such as KPI dashboards and methodology-driven approaches.** These tools help clients quickly establish transparent governance, monitor service delivery, and benchmark performance, ensuring that the outsourced model delivers measurable value.



Checklist for COOs considering outsourcing the middle-office

- Project scope definition**
 - Define the best-fit and most cost-effective middle-office outsourced operating model.
 - Identify providers that can deliver this model on Aladdin.
- Service integration**
 - Consider what other services (e.g., custody, accounting, transfer agency) are required.
- Current team structure and locations**
 - Assess your current team structure and operating locations.
 - Evaluate the cost of your existing operational footprint.
- Function review**
 - Review current functions and support mechanisms.
 - Determine how these will change with a potential new service provider.
- Fee structure**
 - Evaluate the fees for the outsourced middle-office function.
- Data management**
 - Determine where your data will be stored and how easily it can be extracted.
- Migration timeline and asset class support**
 - Estimate how long migration will take.
 - Confirm the asset servicer supports all your asset classes on Aladdin.
- Technology assessment**
 - Compare Aladdin versus proprietary tools used by the asset servicer.
 - Assess the asset servicer's experience with Aladdin and eFront.
- Provider's client base and portfolio solutions**
 - Review the number, size, and type of clients the provider supports.
 - Check if the provider offers whole portfolio solutions across public and private assets.
- Provider model scalability**
 - Confirm whether the asset servicer has taken steps to scale their model.
- Target operating model**
 - Define the functional support model and what is moving.
 - Establish governance and oversight mechanisms.
- Provider's use of Aladdin**
 - Clarify if the provider will use the Aladdin platform's middle-office functionality exclusively or also their own systems.
- Governance and oversight**
 - Establish KPIs and metrics for a transparent and measurable relationship.



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