



ISITC Europe Inaugural Financial Services Industry Forum – 16th October '18

An ISITC Europe Masterclass Report in
Association with PwC LLP



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Introduction..... 4
The Forum 6
Discussion and Output – The Four Trends.....7-8
Conclusion and Next Steps9-10
ISITC Europe 11

Introduction – Nigel D Solkhon, CEO ISITC Europe

The ethos of ISITC Europe is the provision of an open, neutral forum delivered through a voluntary, not-for-profit governance model (ISITC Europe Leadership Group - IELG) based on a Member subscription based funding model.

Progression of both technology and industry business models has been the bedrock of ISITC Europe through the enhancement and promotion of electronic messaging standards, collaboration, education and innovation by bringing together buy-side, sell-side, Custodians and technology and consulting providers. For the past three years ISITC Europe has invested in building an infrastructure and partnership model to encourage an industry-wide inclusive forum linked existing industry for a with ISITC Europe members and attendees.

One of the most successful outreach programs has been our linkage and partnership with Academia and access to related research. Additionally, ISITC Europe has been at the forefront of investigations into DLT, AI, API and regulatory and Market change dynamics such as MiFID2 and CLS.

Delivery of collaborative events has been through an annual AGM in January (attracted over 250 executives from the industry in 2018), and General Meetings which in 2018 covered Crypto Currencies and the technology shift to hosted data and applications. In 2018 the ISITC Europe Leadership Group took the strategic decision to introduce a series of partner focused Masterclasses and the introduction of an annual ISITC Europe Market Innovation Summit.

ISITC Europe Innovation Masterclass Series – In response to the plethora of consortia and committees typically containing common attendees across differing technology or consulting suppliers to the Finance Industry, which are not efficient. ISITC Europe have introduced Masterclasses which are hosted by sponsors in partnership with ISITC Europe in an open, Chatham House rule environment. The themes can include regulation, technology, market change or business model development, and output is made available to ISITC Members and can be requested by non-members through the ISITC Europe website (www.ISITC-Europe.com). The output may be a whitepaper or form the basis of further discussions within or outside the ISITC Europe construct.

ISITC Europe Market Innovation Summit – The partners and attendees of the Masterclasses are invited as part of the main summit agenda to share the summary of the various Masterclasses at the summit. This ensures that the summit speakers and panels are complemented by current topics.

I am thrilled that in conjunction with PWC, ISITC Europe can provide its membership and the industry with a review of the first ISITC Innovation Masterclass, **the ISITC Europe Inaugural Financial Services Industry Forum**.

There are a number of findings and topics that were discussed and agreement on areas of focus and improvement for the Wealth Management marketplace with input from Asset Managers, Wealth Managers, Wealth Platforms and asset suppliers.

The headline for ISITC Europe is that the participants commented that the forum should be a regular gathering to monitor areas of interest as well as any progress on the areas discussed. This is something that I as CEO welcome with open arms and look forward to cooperation now and in the future with this broad segment of the industry.

My thanks go to PWC, specifically Paul Mawson and Ben Sewell for making this a successful event.

Nigel D Solkhon

EMEA Head of Execution 2 Custody (E2C) Citibank

CEO ISITC Europe

The Forum

Asset & Wealth Management Revolution: Embracing Exponential Change

The Forum, moderated by PwC, focussed on buy-side organisations and its customers and service providers, and comes at a time when the industry continues to face a challenging economic environment, adapts to regulatory parameters, new waves of technology, and client expectations continue to rise. Change in the asset and wealth management industry is now accelerating at an exponential rate. Although the industry is set for growth over the next ten years, asset and wealth managers must become business revolutionaries, even disruptors, if they're to survive and prosper.

A number of factors will drive changes across the industry, the workforce, technology, and partnerships. Success will depend on a firm's ability to achieve the long-term benefits from new technology, investing in a culture of innovation and the skills needed, clients experience, diversity on the board, collaboration, regulation.

PwC presented content from its recent publication [PwC AM2025](#), inviting all attendees to express an opinion, current thinking and thought leadership, as well as highlighting and discussing industry activity and trends.

Nigel Solkhon opened the event and introduced ISITC Europe, its latest news and activities and the Chatham House Rule format of the forum, followed by a round-table introduction. Nigel then handed over to Paul Mawson, the keynote speaker from PwC, who kicked-off the discussions around **the four trends that will revolutionise the industry**.

Please note, given the length of discussions, mainly around the first two topics, time did not allow in-depth discussions across the full agenda.

Discussion and Output – The Four Trends

Buyers' Market - *The shift of power to investors is accelerating, pushing down pricing for asset managers and wealth managers alike...*

- To keep up with investor demands, firms and the industry must approach and understand a number of different factors, investment, strategy, price point, costs, and ROI. Attracting the new younger investor generation is key.
- High frequency / low volume trading is a trend now, it's required to support the new investor model and there doesn't seem to be a provider for it – AWM firms are now starting to insource and build proprietary software and processes and be in line with the investor trends.
- *Can the back keep up with the front in terms of technology?* Every firm will become technology driven. Artificial intelligence, robotics, big data, and blockchain are transforming the industry but firms should always remember their core business and not become a FINTECH.

At a recent event it stated that there are 5 to 7m grads in China per year and they all want different ways of investing as well as being very demanding...

Digital Tech: Do or die - *Technology is set to disrupt all areas of the industry... The race is on...*

- *Insourcing - are we seeing any trends?* No major trends yet in the UK but with regulators now focusing on the AWM sector, as well as SMCR, insourcing as well as increased mandatory processes, oversight, and controls will start to grow. AWM across the operation space will have more responsibilities and be accountable so it will be natural to have more proprietary functions and technology to support it.
- The digital front end (trading and client facing) is leaving the back behind and operational teams just cannot keep up. Front to back, across assets, is fragmented, simply with no holistic view. Front, middle and back office, reconciliations, CDD/KYC all running silo and horizontal and causing friction.
- Data, driven by a lot of the above just cannot be used, fix the above points and then AI, ML, robotics, API's can all be implemented and improve the front to back processes and drive down cost but ultimately improve the client experience – 1 view with customer centricity has to be the vision.
- Strategy and change is paramount but there are also some simple wins for the AWM and wider FS industry - The technology is there for some basic end-to-end issues to be resolved along with the cost saving opportunities.
 - Why has settlement and the high percentage of fails never been sorted?
 - Settlement is still a T+2 cycle – Why?
 - Why does the industry still struggle with intra-day and end of day payment cut-offs causing funding and capital requirement issues between firms and depositories?
- AWM firms historically and currently follow but do not lead. Collectively they need to start making bold decisions and drive the industry. FINTECH opportunities are there, but not being used and maybe this is due to transparency and firms not opening the doors and

AWM is a simple model. Take money in, de-invest, re invest – Why are we so bad at it?

At a recent event of around 200 firms only 2 had technologists on the board

explaining exactly what they do and how they do – Standardisation and collaboration from the industry are key.

- *Can your firm get into a room and draw on a white board your 'as is' and your 'to be' landscape?* Most firms struggle to get past the 'as is' stage and continuing to add silo tech layers will continue to make this difficult, impossible even. Failure to take bold decisions could be the end of your business in 10 years' time. AWM firms have to start thinking about running 'old bank' and 'new bank' platforms otherwise you'll always have a legacy stack with continuous overarching layers. That being said, this has to be done by always protecting the front-end layer and the end client.

Payments – The non-sexy part of financial services 10 years ago - A lot can be learned from this revolution!

Funding the Future - New opportunities for profitable growth are emerging...

- The AWM sector is way behind the investment banking and custody space with respect to collaboration, harmonisation, and standardisation. AFME and other communities and industry bodies have really helped bring the banking sector together – Are the representative bodies across the AWM sector doing enough to drive those three pillars?
- Hiring strategies need to change and boards need to be cross-functional, most importantly having technologists on them. Boards need to come together and have a view of the landscape of tomorrow, a clear strategy and know their differentiating capabilities. Resistance, where value-add is clear can hurt your business, a diverse forward-thinking board can avoid this.

Top 20 AM spend big on TA, what do we do next, if its blockchain can someone hurry up and go first?

Outcomes Matter - Investors want specific outcomes rather than style-focused funds...

- Reinvention is lacking in the industry, FINTECHs will reinvent every 12 months, financial services firms, if they are to stay in existence, need to try and shift towards that, taking years from idea to decision and through to implementation is not sustainable. Be bold in your decision making and be smart in your contract negotiation and procurement but always remember your core business.
- Typically the financial services culture slows 'change' down. Front Office business and a lack of diversity across decision makers tend to drive operation strategy, this needs to change, and is. Margins and the cost of doing business, technology and revenue opportunities and regulation are all contributing to a change in culture as well the decision-making process within the industry.
- The industry and its vendors could look at providers such as Aladdin in regards to standardisation. Limited bespoke processes protecting data quality and enhancing MI, analytics, and reporting, being the SME goes a long way. Moving towards a plug and play format without big transformation change is the way forward. Firms can then start to look at API's to build MI and research, eliminate waste and enable decision makers to grow their business and improve client experience.

Conclusions and Next Steps

Input to the next steps will be sought from the attendees directly and placed here.

From an ISITC Europe perspective, I see the following actions:

- Publish approved document on ISITC Europe website and issue social media and email links to encourage download
- Receive feedback from the industry on the topics discussed and conclusions
- Invite PWC and forum members to present at the Summit in January and have a panel discussion on the topics
- Set up and invite forum members to another ISITC Europe forum in 2019 to review progress and new themes

PWC Edit

The tail wind of rising asset prices, growing AuM and stable fees that has prevailed for more than 20 years is being disrupted by seismic changes. Since the 2008-2009 GFC, the forces of regulation, technology and fierce competition have begun to usher in transformational change. This period of reinvention will accelerate rapidly in the years ahead, forcing the industry to reimagine itself.

Things will look very different in five to ten years' time. Fewer firms will manage far more assets significantly more cheaply. Technology will be vital across the business. And, some firms will have discovered new opportunities to create alpha, and restore margins.

With change accelerating, all firms must decide how they will compete in tomorrow's world. Will they be scale or niche players? How will they become more productive?

In our view, asset and wealth managers must act now to focus on three things as their industry moves to a new paradigm:

1. Strategy

Asset and wealth managers must be more efficient and entrepreneurial, being prepared for success in some areas and failure in others. All firms must have a view of the landscape of tomorrow, a clear strategy and know their differentiating capabilities. They should reorganise their business structure to support the differentiating capabilities and cut costs elsewhere. As befits a time of great change, they must have a long view, take radical steps and invest in building their businesses strategically.

2. Technology

Every firm must embrace technology as it impacts all functions. Artificial intelligence, robotics, big data and blockchain are transforming the industry. Technology will determine which firms are the winners in a fast-changing landscape. A clear data management strategy is an immediate priority as it is the enabler for the four core technologies identified. However, across industry, there are varying levels in the maturity of how data is currently being managed and the approaches to realise its future value

3. People

Old ways of hiring and nurturing people are changing. New skills are needed and new employment models must be embraced. Hiring and retaining the best will depend more than ever on diversity and inclusion, and meeting the needs of the whole person. Talent is a global challenge and excellent people with leadership skills will be absolutely vital as firms reinvent themselves – moving into new countries, new technologies, different distribution channels and leading-edge products

ISITC Europe

ISITC Europe was formed in 1992 in London. The industry association was originally comprised of Investment Managers and Custodians who collaborated to design electronic message standards which allowed the exchange of relevant details and improve efficiency and productivity.

Once the standards were designed and implemented by the standards bodies ISO and SWIFT, ISITC Europe delivered guidelines on message usage and process optimisation leading to best practice for securities processing.

Core membership

ISITC now counts Brokers, Vendors, Consultancies, Market infrastructures as well as Custodians and Investment Management firms as its core membership demographic as complementary initiatives such as IUG (Industry User Group) and RDUG (Reference Data User Group) merged with ISITC Europe and widened the scope to include ETC (Electronic Trade Confirmation) and Data elements to the agenda.

