Global Custodian 1

Video Transcript

Janet Du Chenne: Utility models have come to the fore recently as a way of helping the post trade services industry through its regulatory challenges. I’m pleased today to be joined by Tom Carey, who is President of Outsourcing and Technology at Broadridge, and Owen Jelf, who is Managing Director Post-Trade Processing at Accenture, to talk about some of the benefits of the utility service. My first question is to Owen. Can you talk to us a bit about the investment banking environment currently and some of the challenges that the industry is facing?

Owen Jelf: Yeah sure Janet. At the present time it’s a pretty challenging environment for the investment banks. ROE tends to be in the single digit. There’s an ever-present pressure to reduce costs to try and deal with that. There is significant ongoing regulation that is seeking to improve the environment overall globally in the industry. And that’s leading to banks to kind of fundamentally think through issues such as restructuring which businesses they’re in and how they’ll restore their overall profitability.

Janet: And why do you believe utility services are the solution for some of these challenges and what is the value proposition?

Owen: Sure. Utility services I guess are coming into vogue because they seek to essentially provide a service and solve once for the industry. And I guess the essential proposition is that by pooling doing the same thing for multiple banks, there’s a way of reducing costs, dealing with ongoing regulatory change once, and providing an environment where ongoing costs to maintain for change is dramatically reduced.
And I think in common with some regulatory changes that are driving standardization, utility services are becoming ever more relevant in the industry.

Janet: Tom, what types of processes are best handled by utility services?

Tom Carey: I think Owen’s already touched on it. We looked at very much in the space as a mutualization of cost. There are many post trade functions that are done the same way by many firms, and our view is that those features can be brought in to a utility, they can be defined in terms of processes and practices in the same way, they can be documented, we can apply SLAs and KPIs to those and offer them back. And those kind of functions that are repeatable in that same manner are the ones we believe are highly scalable and can be offered out as a utility service.

Janet: Back to you Owen. Specifically in post-trade services provision, why are utilities coming to the fore?

Owen: I think, as Tom alluded to, as for some of the challenges, the industry has undergone a significant transformation in the post trade domain over many years. But has gotten to the point where if there is a need to drive up further costs, and frankly to deal with the ongoing significant costs of change, a utility service is a viable solution, particularly in the context of standardization. And many firms are realizing that actually having your own post trade function isn’t necessarily differentiating.