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Video Transcript

Finextra: Hello, I'm Asif Faruk of Finextra, and I'm here with Owen Jelf of Accenture, and we're going to be talking about post-trade processing. So Owen, thank you for joining us.

So since 2008 it's probably fair to say that investment banking has had its fair share of challenges and pressures. What is the environment for investment banking right now?

Owen:
Well, as you say, since 2008 there have been considerable challenges – political, legal, economic, and so on. And I think at the moment some of those challenges aren't going away. So many of the banks need to still cut costs. They still need to find ways of driving revenue growth. And they need to figure out a way of dealing with the ongoing regulatory reform that is affecting the industry.

So we've seen a lot of different responses that banks are making. But broadly, they need to cut costs. They're doing that via either exiting businesses or launching cost reduction programs. They need to deal with regulation, some of that can be achieved by obviously not being in the business. But also they need to invest in very large-scale regulatory programs to deal with the needs of some of the regulation that's coming through.

Asif: Um, ok, so what about utility services? Do you think that could be a solution to the problems the industry's facing now?

Owen: Well I think so, yes. I mean utilities are designed, I guess, to solve a problem once, for multiple participants. And there are a number of utilities I guess that are emerging. And I guess the central proposition of a utility is to cut costs. If you think about it, if you can have a utility that can do the process once for multiple customers, you can get to a situation where you can pool volumes or that cost base, share that out amongst the customer base, and do it more cheaply. And also at the same time deal with the necessary ongoing reform and regulatory compliance needs and you can solve that once.

Asif: Does the success of utility services require the collaboration of third party vendors?

Owen: I think so. Our view is that to launch a successful utility to market, you need to combine the best capabilities that are available in the industry at that particular point. And Accenture has very strong capabilities for sure and many organizations do. But it probably isn't sufficient to have a utility that offers processing capability, platform, infrastructure and so on, all provided by the same organization. So I think absolutely it's going to be very common to see a number of organizations teaming to create utilities and bring them to market.

Asif: What types of processes exactly are most suitable to be handled by these utility services?

Owen: That's a great question. The type of characteristics of processes most suited are those where costs go up with volume, where there's standardization, and where there's likely to be a lot of spend in the process going forward to comply with new regulation or market reform of some kind. So examples are the settlement process, the post-trade process itself, asset servicing, reference data, know your customer processing. Where often these are things that banks really need to do, but actually don't provide a lot of capacity for differentiation.

Asif: You did touch on regulation a bit there, but what are the industry changes now that the market needs to address?

Owen: The big change the industry needs to deal with over the coming years is Target2Securities, particularly in the post trade space. There's a lot of investment required to comply, a lot of benefits as well to both consumers and the industry from implementing T2S. So I think you'll hear and you'll see a lot of focus and effort related to T2S over the coming years.