



The Mounting Migration to Standardization

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BY DARCIE JAMES MAXWELL
Lead Architect, Client Data Solutions

As Lead Architect, Client Data Solutions, Darcie works with institutional and wealth investors to assess and analyze their business strategy, business requirements, current state environment and technology choices, bringing forward alternatives that are designed to meet their business needs. She works across our Canadian and global organization to translate a client strategy into operational reality. She is also a member of the CIBC Mellon leadership team.

Canada is home to a wide array of asset managers, asset owners, insurance companies and other institutional investors at varying places along a continuum of complexity and sophistication. Institutional investors large and small face common challenges around capturing, measuring and reporting investment information sourced from and delivered to a multitude of systems and people. Many managers are reaching the limits of complexity their current operations can absorb. They are identifying opportunities to replace an interconnected web of augmented, adapted and customized legacy components with a more systematic solution to managing investment information.

SERVING SOPHISTICATED STAKEHOLDERS

Stakeholders such as Boards, Trustees, underlying investors and clients are all looking for assurance that investment decisions are being undertaken appropriately and effectively. Given the complexity of the challenge, many asset managers have invested in building highly customized accounting and reporting frameworks which they have grown, amended and adjusted as their investment and reporting needs evolved over the years. While this allowed Chief Information Officers to tailor the technology and software capabilities to their unique requirements, over time this has meant incorporating additional systems, data sources and platforms. For too many managers, spreadsheet programs like Microsoft Excel and other workarounds have been built atop the array of data sources to “fill in the gaps.” In turn, these workarounds increased both risk and technology costs related to the management of data, enterprise security, and usability. Recently we have seen the number of financial products and asset classes grow considerably in size

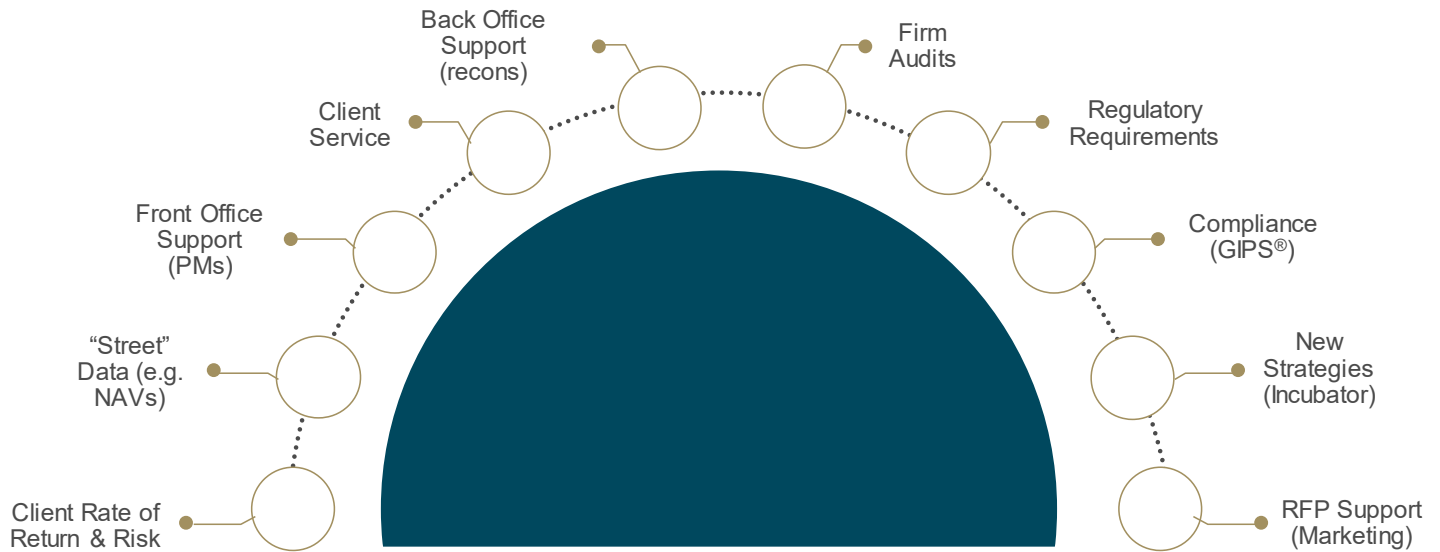
and sophistication, and with them, the number of complementary applications often tied into an accounting system. These challenges are compounded by the growing sophistication of those consuming reporting. For example, organizations manage assets on behalf of other sophisticated institutions or asset owners with their own reporting requirements.

MORE THAN ACCOUNTING PLATFORMS

For many, a portfolio management system is not solely an accounting system – serving also as a client reporting system, an analytics engine or even a makeshift data warehouse. While these custom-built systems may produce the required outputs on a day-to-day basis, it is not typically an end to end seamless operating model. Difficulty can arise whenever a change is necessary, whether it is a new investment strategy, new regulations, an acquisition, or even a key person change. Indeed, for many small organizations, only a handful of experts or those that were involved in building the network of systems and processes for investment information can help others navigate it.

The price of these past customizations and workarounds is often measured in units of time. These challenges have come rapidly to the forefront amid today's majority-remote environment, but the underlying challenges have a long time in the making for most organizations.

There is a wide range of functions that clients are required to provide analytics across the organization. Clients may assess their performance and compliance measurement and monitoring functions to identify where their processes could use improvements to operate more efficiently or where they may need support from an external provider.



INTEREST IN TECHNICAL DEBT

In many ways, the technical debt stemming from customization is what drives many asset managers to replace legacy systems. For example, without an exception-based system, it can be challenging to keep pace with the rapidity and scale of the data. This is not to say that one size always fits and that organizations should not tailor their reporting to the needs of their stakeholders, but asset managers don't need to make it up as they go along or create new solutions when so many others face the same challenges. A standardized, scalable platform can serve as a powerful tool for institutional investors, their stakeholders and their service providers: a scalable platform means that the rising cost of innovations, new necessary capabilities and further enhancements to the user experience can be amortized across many players rather than shouldered by one firm. The need to manage significant one-time investments can be supplanted by a more predictable cost structure. Perhaps most importantly, moving to a standard provider platform simplifies the support model, and in turn, helps free firms to focus more of their time and resources on their core responsibilities as institutional investors. Having a trusted third party develop and invest in new technology creates opportunities for users to come together as peers of a shared platform, capturing best practices from one another.

Even prior to the COVID-19 post-pandemic environment, institutional investors were evolving their technological roadmaps, but the rapid move to remote work that separated users from one another brought new urgency to the need to digitize in a manner that can be securely and effectively deployed across teams.

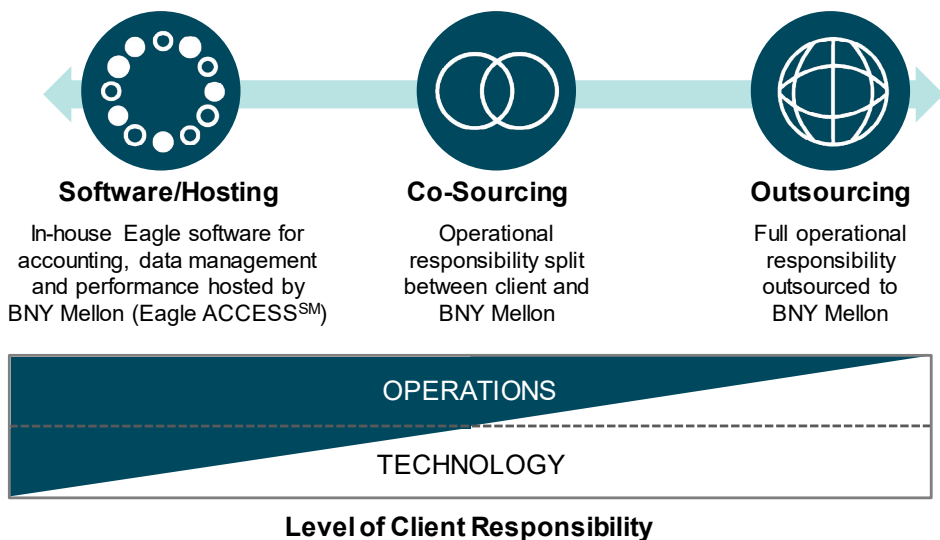


MOVING AWAY FROM DIVISIONS AND TOWARDS A CONTINUUM

Historically, investment managers have followed one of two paths as they digitize and evolve their technical capabilities. Either, they have evolved into high-tech firms by hiring programmers, data scientists, and data engineers, or they have outsourced all the technology and analytics to third-party providers. For many Canadian institutional investors, technology might be better considered as a continuum of solutions and expertise rather than a binary choice. Asset servicing as a whole is a business of scale and technology, and accounting and performance measurement technology and services are a logical extension of these functions – but as providers, we have the scale to enable choices for clients. For example, moving to a fully outsourced model whereby the teams and technology are operated by a provider allows clients to leverage a standardized service that can be integrated into their existing operations. For many clients, this is an ideal choice as it reduces the need to hire resources or invest in technology and provides a predictable cost structure.

But what about clients that want to be able to provide their internal stakeholders with highly customized analytics or have the ability to integrate their own data with the information from their asset service partner? In this scenario, a technology-only model where a provider delivers the platform while the manager provides the process expertise is the preferred operating model.

As the demands of data have changed, we also see that clients are requesting an evolving hybrid model as institutional and wealth investors evolve their operations over a long-term plan. They want to be able to integrate a wider range of data sets, focus resources on complex analysis but also be prepared to allocate operations functions to their asset service provider. This has provided many clients with the best of both world’s minimizing in-house operational activities but continue to leverage technology to better meet their information delivery strategic objectives.



CIBC Mellon clients in Canada can tap into a global enterprise encompassing scale, technology and access across two global banks and more than 100 markets, in recent years embracing agility, innovation and fintech alliances to bring industry-leading technology already at its disposal.

New capabilities will continue to support technology departments and operations while expanding support to the front office and aiding the data science teams being built or expanded within many organizations. For example, the front office can benefit from content and applications that extend current data solutions to inform new product development, investment strategies, or distribution opportunities. New applications and services democratize data in the back and middle-office environments, bringing capabilities and content to those outside of the data science or technologist functions. Additionally, when a solution set includes third-party capabilities and has one universal touchpoint, content and next-generation tools can be made more readily available to more users within an organization, as well as to different consumers throughout it.

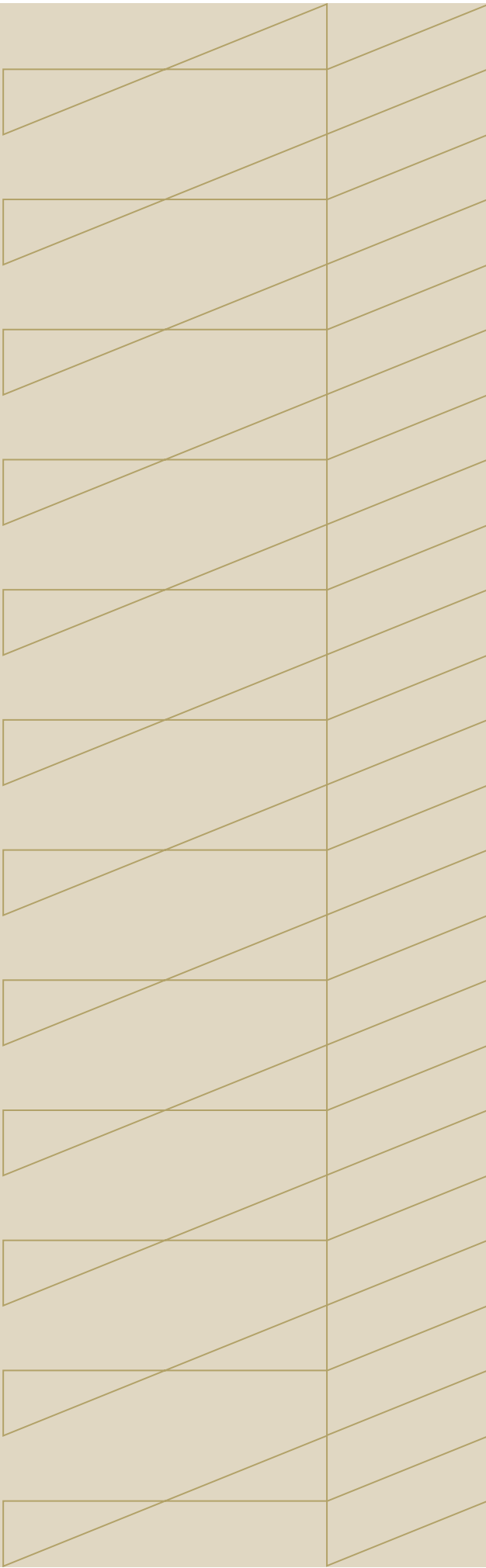
ORCHESTRATING THE MIGRATION

Once an institutional investor or wealth manager has chosen to transition over to a provider platform – whether as software, co-sourcing or a full transition to an outsourced performance, accounting or compliance solution, the conversion process itself is a critical focus – setting the tone for user adoption, stakeholder experience and more.

A transition to a standardized industry platform certainly simplifies most implementations, given that the target state will have commonalities with prior conversions and enable the incorporation of lessons learned. The transition from a customized model can nonetheless be an intricate process; as always any change will mean potential risks to productivity and process, and no matter how smooth the new user experience or new capabilities that open up on a target platform, change will still require users to take on their daily tasks in a novel way. Almost every smooth system conversion requires thoughtful planning, regular communication and a clear and well-documented set of requirements and success criteria, all while recognizing the need to address new demands and opportunities encountered during the transition. For instance, if the highest order goal is to instill agility into the back office, creating new workarounds or manual processes as part of an implementation cuts against the original objective. This is why it is essential to maintain focus on critical principles as organizations define and pursue their goal of a new system.

**Institutional investors
large and small face
common challenges
around capturing,
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Key Principles



Key principles include:

CLEARLY AND EXPLICITLY DEFINE THE OBJECTIVE

Organizations should specifically identify what it is that they want from the new system. This is why the proof of concept—and what we often see as a model office—is such a foundational component of system selection and the beginning stages of implementation. These exercises ensure the system aligns with the needs of the organization and allow teams to understand how best to envision a new system and operating model before jumping into the larger project.

STAY FLEXIBLE, CAPTURE OPPORTUNITIES FOR IMPROVEMENT

Organizations should take care to avoid the trap of replication. One common pitfall is when organizations try to replicate existing processes and workflows as faithfully as possible without putting thought into the goals. A new platform presents an opportunity to rethink operational processes and workflows, using new technologies to take advantage of operational efficiencies or challenge legacy policies or approaches. Just because a process has historically taken steps A, B, C, D, E and F to achieve objective G (or because that's the process stated in an operational policy or training manual), doesn't mean that objective can't be achieved in a more efficient manner, or incorporate new data sources to enhance the outcome. This should be considered during the earliest stages and communicated to the key constituencies to set expectations and gain buy-in ahead of the conversion. Indeed, an experienced technology and service provider can often bring key insights, practices and opportunities forward based on their broad experience and view; institutional investors don't need to start from scratch any more than they need to accept the status quo as the best possible approach.

EMBRACE AGILITY

When determining a schedule for implementation, deadlines, and milestones are critical to keeping the project progressing. However, organizations should not lose sight of the fact that the ultimate objective is to deliver the highest quality system possible. If a “go-live” date is scheduled for 18 months after a project begins, as we've experienced with the COVID-19 pandemic, the investment landscape can change drastically between the proof of concept work and the ultimate conversion. Whether it is the introduction of new technology or a strategy change from the front office, it typically serves the organization. It saves time to stay flexible and factor these new considerations into the initial implementation. Clients should seek a data and analytics solution that enables flexibility to revisit planning, success criteria and goals throughout the project and foster organizational transparency to achieve success in these complex types of projects.

IT'S (STILL) ALL ABOUT THE DATA

As cliché a thought it may be, data quality remains at the center of every successful conversion. As such, it is essential to create a comprehensive checklist that maps out all the vendors providing data, how the data is used across the organization, and any potential gaps that may exist. Having the right data management solution with the appropriate policies and controls helps to support the governance model that has been implemented.

One approach many clients consider is to undertake one or more mock conversions or bring a new platform online in parallel to ensure the data flows are in place and accurate. In this ideal state, when the new system is set for parallel adoption, the reward will be a streamlined platform free from any discrepancies necessitating quick fixes and workarounds. It is also not lost on anyone that data quality will only become more critical as organizations look to automate certain back-office functions.

The ongoing move from legacy systems to open, standardized platforms may seem foreign to asset managers who have long relied on proprietary investment processes or unique quantitative tools among their key differentiators. Yet, the competitive landscape has forced even the largest asset managers to reconsider their core competencies.

As the shift to agile platforms truly takes off, the work our global enterprise has put into building technology to support these needs will ensure clients can redeploy their capital.

DATA & ANALYTICS SOLUTIONS

The Data and Analytics Solutions available to CIBC Mellon and BNY Mellon clients in Canada and globally are built around enabling flexibility and choice agility in a developing data landscape. We offer client-centric data, technology and content solutions that cover a spectrum of investment management solutions from traditional software installation through comprehensive middle office services, providing independence to move in either direction along a continuum as our client's business evolves.



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For more information

To learn more about some of the performance, accounting and data solutions available through our global enterprise, contact your relationship manager.



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