

10 takeaways from The Network Forum

Global Custodian's managing editor, Jonathan Watkins, highlights the key takeaways from The Network Forum in Vienna.

The Network Forum brought senior securities services professionals from across the Europe and beyond to Vienna to discuss the most pressing issues and biggest conversation topics facing the industry. While many things were discussed, here were some of my takeaways from the event.

Headlines favour the brave

Among some tentative panellists, those who made bold claims or quantified opinions about parts of their business were by far the most interesting and informative. They also laid the foundations for conversations on later panels and throughout the event itself.

Some of the most interesting soundbites for me include:

- The prediction from a market infrastructure CEO that we could likely see a successful cyber attack in the industry over the next year.
- The claim that outsourcing could become the next 'too big to fail' if clients begin outsourcing regulatory compliance and more



functions.

- One speaker claiming the industry landscape is 30% harmonised, and all other panellists being shocked that someone was brave enough to put a percentage on it.
- T2S hasn't achieved what it was supposed to do...apparently it's okay to admit that now.
- Google, Amazon, Facebook will face the same challenges the banks have at some point in the future as they 'grow older'.
- Unique value proposition? It won't last very long according to one panellist who said the best you can hope for is first mover advantage as competitors will copy anything good.
- "You're in asset serving, so service the assets your clients want to invest in." Equichain is doing some fascinating things around cryptocurrencies and building a cryptographic securities exchange, but speaking to custodians, sometimes it takes someone on the outside looking in to state the obvious.
- Despite all its proposed benefits, blockchain is not efficient from an energy perspective. Something to bear in mind given the focus on corporate and social responsibility.

Perhaps the best quote of all came from explorer Ben Saunders on lessons he's learnt from a return trip to the South Pole – among other great adventures. "No one else is the authority on your potential, you are the only one who can decide what your limits are." Great quote for the current securities services landscape given the technological innovations and challenges faced. Equally as great for life in general.

Cyber attacks are still on the mind

Are cyber attackers getting better and faster for banks to deal with? Cyber attacks have been a discussion point for many years now, but as new and evolving threats are springing up, it seems securities services firms might be more worried than ever before. Major organisations are being warned that even if they haven't been a target yet, they will be at some point in the future. The solution? Prepare, test, collaborate and establish best practices.

FAANG don't always get the best talent

One of the best speakers from the event in my opinion was Kerem Tomak of Commerzbank who had a very 'Silicon Valley meets Wall St' persona. When people – Global Custodian included – speak of how new technology firms are capturing all the best talent, Tomak appears to be an example of the best and brightest still favouring the financial industry which still provides a platform to innovate. Tomak also highlighted how he himself selects the appropriate talent for his team, looking for people who want to challenge the status quo.

Brexit is a pain

The most commonly voiced opinion on Brexit implications is that it's time consuming, complicated and unclear. Contractual review headaches and fielding questions about it might be among those most frustrating issues.

New asset classes need servicing

Servicing new asset classes was one of the panel discussions at Global Custodian's own forum back in May with some interesting views around private equity, real estate, ETFs and cryptocurrencies and this continued at The Network Forum as client demands evolve. As one panellist commented on private equity and real estate "this is certainly where the market is going".

Custodians are sitting on a lot of data

Securities services firms are sitting on a lot of data and are employing a range of methods and talents to establish the best ways of using it. One speaker said in just one market, for one year, there was six billion lines of data to analyse. Another interesting viewpoint came on one panel where one speaker said there may be an opportunity for custodians to plug a gap left by MiFID II's research unbundling rules, and provide information to front office decision makers.

Crypto custody

Sitting on the fence much custody banks? No custodians have formerly thrown their hat into the crypto ring yet – though Nomura has announced the launch of a service – the best we've had so far really is State Street saying it would consider servicing the digital assets. Whenever the topic of cryptocurrency came up for the incumbents I would say it was quickly dodged, and even a request from the



moderator to the audience to see who was considering crypto services was ignored by the audience who did not want to show their hands – literally. Coinbase was a surprising, but refreshing, addition to the speakers line-up and, like some other crypto exchanges, is setting up its own custody service, where it is looking to partner its technology and expertise with the experience and might of a traditional custodian bank. If the institutional investor money starts flowing into cryptocurrencies – as many predict it will over the next 12 months – look for more custodians to begin servicing this space.

AI, blockchain, robotics, etc.

Still important. Will change everything. Legacy systems make things hard. I've got nothing new to add that you wouldn't have heard a hundred times before, but I have to mention it given it's impact. There are certainly more and more use cases cropping up though.

Immediate settlement still up for debate

This was by no means a running theme through the event, but it has been a discussion point over the past couple of years given the potential use of blockchain in the industry. A group of Canadian banks and technology providers proved it could be feasible earlier this year in what many called a 'landmark moment for the industry' however, Digital Asset commented at The Network Forum that a high frequency trader would laugh at the notion and tell you its impossible.



“Sibos but with more heart and soul”

I saw a post on LinkedIn this morning where John O’Hara of Taskize described the event as “Sibos but with more heart and soul”. Given the scale of Sibos it’s a completely different beast, but for the European securities services industry and network managers in particular, The Network Forum has established itself as a must-attend event.