Room for improvement

Collaboration was a big focus at The Network Forum Annual Meeting. Find out what happened at this year's event

Becky Butcher reports

Delegates gathered in Vienna on 25 to 27 June for The Network Forum's Annual Meeting to discuss the most pressing issues in the industry. The biggest talking point of the conference was the need for collaboration between firm's.

One of the panels at the conference suggested that although there has been collaboration, there is room for improvement. A speaker said: "The industry has done well in cooperating, but it is still not enough."

The panel included Goran Fors of SEB, Philippe Laurensy of Euroclear, Julia Romanyi of Unicredit, Urs Staehli of ISSA and Mike Clarke of Deutsche Bank.

One panellist explained that the industry is still cautious about working together and cooperating because of worries around losing the competitive advantage.

Another said that the industry has to come together when new regulations are implemented because a lack of collaboration can cause complications in the market.

However, when the panel asked the audience what areas the current level of cooperation is most successful in, panellists were "surprised by the results".

Of those who responded, 76 percent suggested regulation, while operations and IT infrastructure both received 12 percent of the vote. Commenting on the results, a panellist said: "I am very surprised. Although there has been collaboration, we are able to do a lot more."

The audience was then asked where they thought further cooperation was needed. Just under half, 45 percent, said more work was needed around IT infrastructure and process innovation, while 41 percent said regulatory topics and 14 percent said work needed to be in the operations space.

Responding to the poll results, one speaker said: "I'm encouraged by the results."

The panellist explained: "What comes across very strongly is for us to embrace technologies that are available and use them to make the business better. However, we are only able to do that if we move step-by-step and hand-in-hand together to achieve that."

Another question posed to the audience was on the Association for Financial Markets in Europe (AFME) questionnaire.

Delegates were asked: "What efficiency has the AFME questionnaire brought to the industry?"

Over half, 60 percent of participants, said they can already feel some efficiency, however, there is still a long way to go; 25 percent said they are very happy with the efficiency already gained, but some minor adjustments are needed; 8 percent said we are at step zero, with no efficiency at the moment; 6 percent asked what is the AFME questionnaire good for; and finally, 2 percent suggested the industry is perfect as it is and it just needs to be more consistent using it.

From these answers, panellists encouraged the audience to "work together more", but reinforced the message that although there has been efficiency, there is still a long way to go.

Technology was also on the agenda. A panel, which featured Gavin Wells of Digital Asset, Peter Randall of SETL, Margaret Harwood-Jones of Standard Chartered Bank and Ryan Marsh of Citi.

Citi, explained that distributed ledger technology (DLT) is not a panacea, but the industry will have to learn about it.

Although DLT is just a technology, it does offer new avenues for the industry, according to a speaker. They suggested that DLT provides better data protection and greater efficiency.

However, in doing so, the panellist explained that it challenges entities and roles where it can provide better data management. The speaker said: “If a system can do it, you don’t need to.”

Another speaker said: “While DLT will give the industry a chance to be more efficient, it could disintermediate companies.”

According to one panellist, the early opportunities that companies should be looking for in DLT is how to streamline processes. However, agreeing with the earlier comments, the speaker said: “There is a threat of disintermediation and it should be seen as a warning.”

A panellist suggested that Financial Management Information Systems (FMIS) are critical in this process. They noted that the best chance of wide adoption will come from these systems, but it is important to consider the challenges associated with the technology.

The panel then moved on to discussing standards around DLT. The panel asked the audience who they believed would be best to drive standards for DLT in securities services.

Of those who responded, 27 percent answered regulators, 14 percent said SWIFT, 30 percent noted ISO, 9 percent suggested International Swaps and Derivatives Association or Financial Products Markup and finally, 20 percent said other.

One panellist suggested that standards should follow the industry path rather than following people who don’t work within the environment. Another panel also discussed technology, focusing on how to choose the right technology for a company. The panel members suggested that firms need to understand the business needs in order to select a technology that is right for them.

One panellist explained that by doing this it will help firms to sustain business and stay relevant in the industry. However, another speaker noted that with all the change in the industry around regulation and technology, using a legacy system might not be the most cost-efficient way and in fact could be even more expensive.

Following on from the technology theme, the next panel discussed artificial intelligence (AI) and robotics.

One speaker said that everybody in the room is facing margin pressure from the core of the business, which has been going on for some time. The panellist suggested that this trend is set to continue.

They said: “In the custody space, margins have come down by 2 percent every year, however, people are happy with services but they want to pay less for it, which is causing the constant margin pressure.”

Firms are also experiencing high levels of cost-cutting, but one speaker said how the industry is meant to hit the next level of efficiency with so much cost-cutting.

The speaker suggested you have to look for something else—that something else being AI. The panel noted that AI can be useful when it comes to managing the client experience.

One said: "AI can help enhance the client experience dramatically."

Another panellist commented: "There are multiple areas where we can add robots to add value."

However, one speaker explained that AI is dependent on data. They suggested the more data you have, the more chance you have of being able to use it wisely to enhance the business.

According to another speaker, there is value in investing in robotics, but you have to look at all the options available to get the best result.

During the conference, Societe Generale Securities Services released the results of its Independent Market Survey. The results showed that the biggest challenge for the agent bank industry over the next five years is regulation.

The 214 survey respondents included 28 percent sub-custodians, 20 percent global custodian banks and 16 percent from market infrastructure organisations.

Other challenges that participants selected were technology-based disruptors at 25 percent, costs of capital and liquidity at 15 percent, market infrastructures as competitors at 13 percent, and market weakness at 2 percent.

Survey participants were also asked what topics they have focused more on in the last two years.

On top, at 35 percent was asset protection. This was followed by 27 percent of respondents selecting cybersecurity.

Some 21 percent said data protection was a focus, while 9 percent said digitalisation. Finally, 7 percent voted for corporate social responsibility.

When looking at how many organisations will be providing a full range of traditional agent bank services in the next five years, 75 percent of survey respondents said they thought there would be less providers, while only 10 percent thought there would be more. At 8 percent, participants thought there would be no change, and an even smaller 7 percent said they think there will be new entrants.

The survey also asked to what extent did participants agree that agent bank services would be unbundled and supplied on a modular basis in the next five years.

Just under half, 47 percent, somewhat agreed, followed closely by 36 percent strongly agreeing. A much lower figure of 13 percent neither agreed nor disagreed, while 5 percent disagreed.

Moving on to Target2-Securities, the survey as participants what they had observed over the last three years. Some 44 percent stated they had seen no harmonisation, no market consolidation, no better liquidity and no lowering of costs. However, 32 percent noted that they have seen more harmonisation, 12 percent suggested there has been more consolidation, 10 percent believe there has been better liquidity and finally, 4 percent have seen lower costs.

Focusing on the biggest disruptors, survey responses showed that technology and regulation come out on top, while the inability to compete was less of a concern. AST