

Innovation isn't always reinvention: a holistic solution to a legacy problem



For the majority of global investment banks and broker dealers, 2017 shows profits finally returning to pre-crisis levels. Institutions on both sides of the Atlantic are re-discovering their place in the world and re-defining company strategy to meet the needs of tomorrow's client, in a cost-constrained world.

But this re-discovery increasingly depends on the sustainability and relevance of its own technology and platform architecture. The rosier picture of rising profits and greater competitiveness in new markets can soon become clouded when the complex web of architectural innovation and legacy technology is not well-informed by the very strategy that a company wants to pursue. Technology should support a business – not determine its evolution.

Ethereum, developed in 2014, has since grown to become one of the leading blockchain platforms today for building such P2P applications, commonly referred to as decentralised applications or dApps.

Operating model first, tech second

Large banks and broker-dealers are complex, often multi-jurisdictional organisations, operating across siloed departments and business lines, and each often comes with different core platforms and systems. To harmonise these disparate systems successfully, institutions must consider taking a more holistic approach to adopting and embedding technological solutions. When examining the challenge legacy systems pose, the root of a potential transformation may not be in technology. More often than not, an institution's operating model is also in need of scrutiny.

Any significant change in technology will be disruptive, so it is important to make it count. By re-examining its capabilities and considering alternatives against objectives, a firm can ensure that the cost of upgrades is justified, instead of an expensive band-aid.

The pace of innovation is so rapid that firms are caught between the cost of maintaining legacy systems, while simultaneously being forced to expend capital on the newest technology to stay competitive with nimbler start-ups.

Managing all these different components requires a flexible and scalable platform capable to integrate different solutions that address new challenges and fulfil unforeseen client needs as they emerge. Part of rethinking an operating model may mean reconsidering the entire architecture, or it could include outsourcing tasks that are no longer core to the business. Efficient business transformation is ideally about building an ecosystem of more holistic solutions to support a desired targeted operating model.

Selecting a partner with the ability to innovate with the big picture in mind is essential, and enables a firm to future-proof the business against future challenges. Just because nascent products and services e.g. crypto-currency custody might not form current core client requirements, that is not to say they won't be in the future.



Today's systems for tomorrow's business

In 2017, the industry was focused on MiFID II and 2018 has introduced its own regulatory hurdles.

Technological solutions should encompass end-to-end support to ensure compliance needs are being met as part of the business strategy. Similarly, it is essential to consider technology not only as an external factor influencing the business, but at the core of the development of that strategy.

Nowhere is this clearer than in the realm of data management. Every business understands its strategic business value, but legacy storage systems can impact data security, balloon costs, and threaten business continuity. Looking to cloud solutions, firms can take advantage of the sufficient bandwidth, security and ease of access tackling the migration of data between legacy systems and new platforms throughout transition periods.

Financial institutions have understood this and taken action by teaming up with fintech firms to explore new technology independently through their own innovation labs.

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Disruption is global

As bigger fish in ever smaller ponds, bulge bracket firms with growing global footprints are exposed to more risk than ever. To be truly globally-minded, firms could operate on a truly global technology ecosystem that takes into account the patchwork of international regulation, but also offering capabilities designed for localised operations.

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Finding the right partner

Technology should be built for a business not the other way around. To choose the right technology, a firm must do so in concert with their business strategy, rather than letting the tail of technology wag the dog.

Likewise, choosing the right partner is pivotal. More than just helping to stay ahead of the emerging technology curve – the right partner will help deliver a flexible operating model that is prepared to handle any new business challenges.

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