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**A**s the world has started to emerge from lockdown, the market landscape looks vastly different from six months back. Operating models and traditional ways of working have been permanently disrupted, bringing some positive benefits to the industry in the form of increasingly flexible working styles, improved productivity and greater digitalisation that will all ultimately benefit the financial services industry in the long term. It is fair to say that even when employees do return to the office, many of the working practices they left

behind at the start of the pandemic will have been consigned to the history books. But whilst transitioning to this new, virtual work environment was something of a forced migration, this does not mean to say that this has been a smooth process. Many organisations have found this transition painful, due to supply chain challenges, outdated management frameworks and a historic aversion to change. But it is against this backdrop that we see acceleration of opportunities for Fintechs who can position themselves to support the maturing of these new, post-trade operating models. Why do we think that?

# THE FINTECH LANDSCAPE AND THE OPPORTUNITIES THAT LIE AHEAD

## 1. A door has opened

Legacy systems and processes within post trade have remained unchanged on the whole, with the same number of manual touchpoints throughout the end to end flow as prior to the pandemic. What has changed is the emergence of digital toolsets that have been a by-product of remote working, that will open up opportunities for change. These have effectively provided a digital bridge head – think Symphony or Microsoft Teams – that will enable Fintechs to leverage these tools through robust API's to unlock opportunities for automation. Emails, spreadsheet (and amazingly, fax) exchanges continue to dominate the make-up of most post trade operating models - but by collaborating with these secure communication platforms, a whole host of innovation opportunities for post trade processes will emerge.

## 2. Tip of the iceberg

In the press you will have seen CEO's talking up how well the industry held up during the peak volumes. But in reality, whilst this was true from a trading perspective, the post trade environment exhibited signs of severe stress. For example, the number of failed trades spiked significantly across the industry which ESMA highlighted was due to 'operational issues' rather than liquidity. Regulators around the globe also paid close attention to the level of fails across the market and took proactive steps to engage with market participants to drive resolution. But as the dust settles, reviews of these 'operational issues' will inevitably highlight low levels of automation and this will push organisations to revisit innovation agendas. Certainly, where the prior

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response to cost of automation had been to migrate the process to somewhere cheaper rather than building process resilience.

### 3. Solve data issues to enable innovation

Accessibility to data (or lack of) has been magnified throughout this period, where demand for quicker and more comprehensive data from throughout the supply chain has caused significant frustration for clients. As an example, within many custodians 60% of the workload for operations teams is driven by either looking for data to perform a function or finding data to resolve queries for clients. And this process does not scale in times of market stress. In a world where fee compression and standardisation of processes is forcing differentiation through other services, pressure is increasing on leadership to solve for the problem of data trapped in legacy ‘data jails’. This challenge of data is one of the main blockers for innovation across the industry, as it limits access to third party solutions. And as proactive action is taken to remediate these data challenges, this will open doors for Fintechs to deliver the innovation that these

organisations need to differentiate themselves from the competition.

These factors will create significant pressure upon innovation within post trade space (beyond anything the historic cost pressures in the industry could create) but to position themselves to take advantage of this, Fintechs should consider the following:

- How can we leverage from the digital ‘beach-head’ that has been created by certain organisations? How can that accelerate the onboarding process?
- How are we relevant to the post-Covid 19 landscape, how can we deliver improved resilience and automation to an organisation?
- What is our relevant ‘POV’ against this backdrop, how can we deliver a solution to help now? As opposed to showcasing a toolkit which may be too broad to contextualise value in isolated used cases.

Those organisations that are able to position their product offering effectively against this backdrop will find a quite different audience to that which existed in January.

# REMARKABLE FINTECHS AND THE POST- COVID 19 IMPACT

