

Bridging the Post Trade Gap – How to innovate successfully within Capital Markets



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Strategies to deliver greater resilience and efficiency across post-trade domains

Post event summary – key messages

Introduction

At the start of the year, the cost and complexity of the post-trade environment was already a challenge for most organisations. The global pandemic highlighted even further the stubborn post-trade problems that persist in the industry, where low levels of standardisation and automation create a high dependency on manual processes. And whilst fintech innovation may have flourished over recent years, many firms are still struggling to use it to achieve cheaper, more resilient processes in the back office. So how can these issues best be addressed?

This was the topic of an online panel discussion hosted by The Realization Group and Ascendant Strategy on Wednesday 12th November, 2020. The webinar was led by Clive Posselt of The Realization Group, and featured **Jonathan May**, Strategic Transformation Lead at Nomura; **Matthew Cheung**, CEO of ipushpull; **John O'Hara**, CEO of Taskize; and **James Maxfield**, Managing Director at Ascendant Strategy.

Background

The volatility and the volumes experienced during the onset of the Covid-19 pandemic in March created something of an awakening for many organisations, highlighting the extent and the costs of manual processing. For many firms, this period of stress helped to identify the bottlenecks and problems existing within their current post-trade environments.

With so many people now having to work from home, the rapid transformation to digital toolsets and workflows, together with the widespread adoption of cloud-based collaboration tools, has clearly demonstrated what can be achieved in such a short time.

But these are still only the first steps in the path towards digitalisation. And most of these initiatives tend to be focused around the front office. So what about post-trade? What are the practical steps that firms can take to digitalise the middle and back office, not just to maintain business as usual during the current pandemic, but to deliver greater resilience and efficiency over the long term?

Practical steps

An important starting point in post-trade digitalisation is for decision makers – either the C-suite or senior budget holders – to take ownership rather than assuming that someone else will drive the digital agenda. The post-trade environment is so complex, so critical, and so impactful for the future of a financial institution, that it has to be owned at a senior level.

A mindset that persists in many banks is the age-old conflict of cost centre versus revenue generation. Organisations need to move away from that way of thinking, and consider the value that post trade can offer to the fundamental economics of the business.

One practical step is to enable business process owners to make tech-driven decisions in areas where technology can really add value. Heads of operations, middle/back office or client services should not be shut out from decisions around technology. Users who understand the business processes – and what is wrong with them – are often best-placed to identify technology solutions that can help solve their problems.

But the senior leaders within the organisation also need to get involved and help enable and drive transformation down through what has traditionally been seen as a back office 'black box'. If technology is coming into an organisation to solve a problem but the organisation doesn't know what it is trying to solve, that will most likely end in failure.

It is important to encourage collaboration between different functions and different parts of the firm, incentivising people to focus on delivering, and driving value end-to-end. Bringing the business units and the IT units under one roof can also lead to big wins by breaking down barriers, speeding up change, and thus resulting in a more effective delivery.

Identification of which areas to transform is also key, ideally somewhere with a clear linear process path or journey that is currently inefficient and labour-intensive (involving spreadsheets, e-mails and file sharing, for example). Innovation can make a big impact on this unstructured world where data is sitting in numerous different places.

Some of the biggest gains can come from simplification, breaking things down and applying smart technology solutions to enable people and processes to move towards a structured workflow, rather than trying to 'boil the ocean'. There are generally budgets for strategic initiatives, but there are not so often budgets for the tactical. So firms need to allocate resource, manpower and innovation budget to focus on the tactical use cases as well as strategic, because over time they will merge.

Firms also need to recognise that much of the 'transformation ROI' will come from indirect benefits, which will only become clear once they embark upon that transformation journey and so require a different mindset around measuring the impact of change.

Fintechs can help by offering the industry a way of adopting real, practical solutions, delivering shared outcomes right on the edge of their clients' appetite for risk (which will constantly be shifting because the innovation itself will move the boundary).

Conclusion

In summary, the single most successful strategy that organisations can adopt to deliver greater resilience and efficiency across their post-trade domains is to keep things simple, and to start by looking at the manual processes that cause the bottlenecks rather than the big strategic core systems.

By moving those towards a data-driven workflow rather than a process-driven workflow, firms can digitalise, standardise and automate. And by continuing down that path, they can deliver a better experience for end users by using cloud technologies to build new apps and GUIs, and to wrap those around both legacy services and new services, thus providing a better service and a richer, faster, more real-time experience.

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