



IIAC OPERATIONS DAY:

THE FUTURE OF OPS

PREDICTIONS AND TRENDS SHAPING THE FUTURE OF OPERATIONS

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CIBC MELLON



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Ronald C. Landry is Vice President, Head of Asset Manager and ETF Solutions at CIBC Mellon. He has over ten years of experience in ETF servicing and more than 30 years of experience in the financial services industry. In his role, Ronald is focused on delivering comprehensive asset management and ETF solutions to clients, ensuring they receive quality solutions that meet their evolving needs.



I was pleased to deliver a keynote speech at the IIAC Operations Day, discussing the rapid advancements in technology, regulatory requirements, and increasing service demands transforming operations across the investment industry ecosystem. In my speech, I touched on navigating the future of operations, focusing on technology, product trends, regulatory changes, outsourcing, consolidation, and distribution.

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55%

Asset managers expecting full integration of ESG criteria within the next few years.

TECHNOLOGY AND DATA MANAGEMENT

In today's asset management landscape, technology and data management are critical for achieving operational efficiency and cost savings. Asset managers face numerous barriers in managing their data effectively. According to a recent [BNY study](#), data is a top priority, with technology limitations being a significant challenge. Asset managers need help with the complexity of unstructured data and incorporating external data sources.

One respondent noted the skill shortage in managing advanced technologies, emphasizing the need for skilled staff to handle newer responsibilities. To address these challenges, service providers are forming alliances with fintech or onboarding their solutions in-house. CIBC Mellon, for example, is leveraging fintech to enhance operational efficiencies and introduce new value-added offerings.

PRODUCT AND ASSET ALLOCATION TRENDS

Product development remains challenging as investors and advisors seek innovative products to meet their evolving investment needs. The popularity of ETF structures, alternatives, and ESG offerings as product solutions continue to grow. Despite recent growth, ESG and alternative products face adoption hurdles due to inconsistent terminology, strategies and investor/advisor education.

ESG products, in particular, are gaining traction, with 55 per cent of asset managers expecting full integration of ESG criteria within the next few years. However, consistent ESG-related terminology and definitions can lead to investor confusion and lower-than-anticipated flows. Similarly, liquid alternatives, introduced in Canada in 2019, have struggled to gather assets due to their complex strategies and terminologies.

REGULATORY CHANGES

Regulatory changes add further complexity to the industry. Upcoming regulations such as Total Cost Reporting (TCR), which aims to enhance fee transparency. Effective January 1, 2026, TCR will require investment fund managers to produce a Daily Cost Factor (DCF) and make them available to dealers to be added to client statements.

The transition to T+1 settlement has impacted Canadian institutional investors, necessitating earlier trade submissions and greater attention to cash availability. Additionally, the Canada Revenue Agency (CRA) continues to limit tax advantages for investment funds, further complicating the regulatory landscape.

OUTSOURCING AND CONSOLIDATION

Outsourcing is on the rise as asset managers seek to focus on core functions and improve profitability. The trend has expanded beyond back-office functions, including middle office, data-related activities, trading capabilities, and investment reporting.



Nearly 90 per cent of asset managers seek to outsource data-related activities, seeking solutions that aggregate data from various sources for actionable insights.

Consolidation remains a key strategy for asset managers to build scale and improve margins. Mergers and acquisitions are seen as opportunities to enhance resiliency and reduce pressure on margins, particularly in the face of inflationary challenges.

DISTRIBUTION STRATEGIES

Distribution is crucial for asset manager success, particularly for start-ups lacking access to distribution networks. Relationships with bank-owned dealerships are vital, though Client Focus Reforms are reducing the number of products offered at these bank-owned dealerships.



Direct-to-client channels are expected to be the most significant growth area over the next decade, with a compound annual growth rate of 9.2 per cent.

The wealth distribution landscape is shifting, with the big six banks controlling a significant portion of Canada's household financial wealth. Investment funds in direct-to-client channels represent a substantial growth opportunity for non-bank asset managers.



Consolidation remains a key strategy for asset managers to build scale and improve margins.



KEY TAKEAWAYS

1

Data and technology are crucial, but asset managers face significant barriers in data management, leading to alliances with or acquisitions of fintechs.

2

Despite inconsistent terminology and strategies, ESG and alternative investments are popular but face adoption challenges.

3

Regulatory changes, including TCR and T+1 settlement, add complexity and cost pressures to the industry.

4

Outsourcing and consolidation are critical strategies for focusing on core functions and improving profitability.

5

Distribution, particularly direct-to-client channels, is expected to grow significantly, emphasizing the importance of strong distribution networks.

As the industry continues to evolve, the team at CIBC Mellon together with our global parent companies will continue to offer insights to provide a roadmap for asset managers to navigate the future of operations, leverage technology, address regulatory challenges, and optimize distribution strategies.

LEARN MORE

We welcome client engagement; clients are invited to reach out to their CIBC Mellon client relationship contact if you wish to further explore these themes.

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