



CIBC Mellon Banks and Insurance Operations Study

THE OPERATING EDGE

CIBC MELLON



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FOREWORD



RON LANDRY
Vice President
Head of Segment Solutions and
Canadian ETF Services
CIBC Mellon

The pace of evolution in investment operations shows no sign of slowing. From the transition to T+1 settlement cycles to the mounting demands for ESG transparency, the Canadian financial services industry continues to adapt to a landscape of change. As we navigate these shifts, the role of data and technology has become paramount, transforming not only how firms manage investments but also how they respond to increasing regulatory scrutiny and client expectations.

At CIBC Mellon, we're proud to work with clients, fintechs and stakeholders to navigate these complexities. By combining our operational expertise with leading-edge tools, we're helping clients stay ahead — enabling innovation, improving operational resilience, and responding to the challenges of a fast-changing market. This report offers valuable insights into these dynamics and highlights opportunities for organizations to remain at the forefront of our industry's evolution.



JOE LACOPO
Vice President
Asset Manager
Segment Head
CIBC Mellon

The Canadian financial sector is at a pivotal juncture. As firms navigate rising client expectations, regulatory changes, and cost pressures, the ability to adapt operating models while maintaining operational excellence has become critical. This requires more than incremental improvements — it demands bold action, underpinned by advanced technologies, enhanced data strategies, and a focus on core strengths.

CIBC Mellon remains committed to empowering our clients during this time of transformation. Whether through addressing the nuances of distribution, enabling operational scale, or mitigating risks, we are focused on providing the tools and insights organizations need to succeed. This report explores the key trends shaping our industry and provides actionable perspectives to help organizations thrive in an increasingly competitive environment.

“

Canadian Banks and Insurance Firms are seeking an operational edge to help them face the future. Many are leaving behind legacy, bespoke and end-of-life models to transform for the future.”

CATHERINE THRASHER

Chief Operations Officer
CIBC Mellon



A MESSAGE FROM OUR CHIEF CLIENT OFFICER:



RICHARD ANTON
Chief Client Officer
CIBC Mellon

The Canadian financial sector continues to navigate significant transformation across banks and insurance companies, driven by a dynamic interplay of innovation, regulation, and market demands. Talent evolution, the rise of AI, heightened regulatory oversight, and the need for operational transformation are all converging to reshape the landscape.

At its core, the sector is grappling with profound talent shifts — marked by tighter labor markets, evolving workplace expectations, and the continued impacts of workforce retirements. The ability to attract, retain, and empower skilled professionals remains a cornerstone of success as firms address resource constraints and adapt to changing business realities.

Meanwhile, the rise of AI and data-driven processes offers both enormous potential and rising complexity. Financial institutions are not only leveraging these tools to streamline operations but are also addressing emerging risks around data governance, cybersecurity, and stakeholder trust. The focus is increasingly on getting data “right” — ensuring integrity, timeliness, and accessibility to support downstream impacts while mitigating the growing threats posed by financially motivated and state-sponsored bad actors.

On the regulatory front, Canadian banks and insurers face an evolving landscape, with the introduction of international standards such as IFRS S1 and S2 and localized reporting frameworks like Total Cost Reporting (CRM3). These changes demand enhanced transparency and alignment with global best practices, pushing organizations to rethink their strategies and compliance frameworks.

This report sheds light on these critical themes and examines how Canadian financial institutions are positioning themselves for the future. It is a privilege to contribute to this dialogue and to share insights that help illuminate the opportunities and challenges ahead.

“

Canadian banks and insurance firms are global leaders, consistently scoring among the world's safest and strongest institutions.”

JOE LACOPO
Vice President
Asset Manager
Segment Head
CIBC Mellon



“

Firms are also adapting their strategies to tackle wider risks. There were changes to our investment operations strategy owing to the economic and geopolitical risks. We have outsourced functions, and we are also hiring more external personnel to manage operations favourably.”

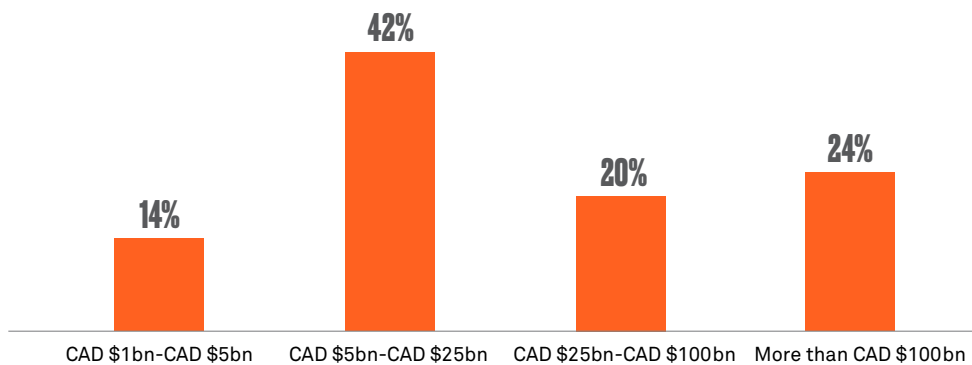
Chief Operating Officer
Insurer

METHODOLOGY AND RESPONDENT PROFILE

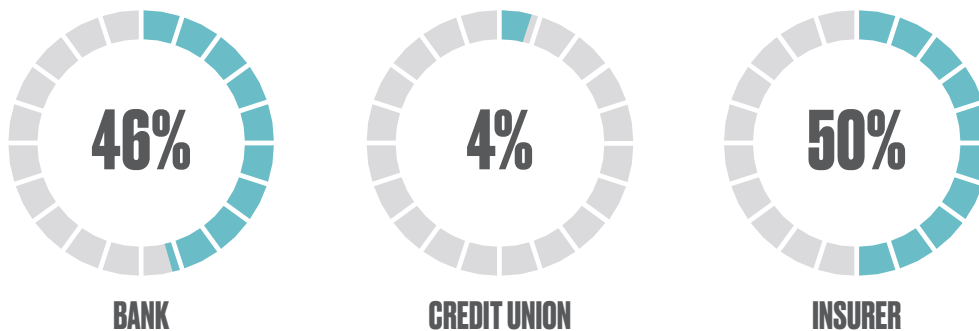
In Q2 2024, CIBC's research provider interviewed 25 insurance and 25 bank / credit union executives headquartered in Canada. Respondents represented firms with assets under management (AUM) of at least CAD\$1bn.

What is the current value of your organization's assets under management?

Select one.



Which of the following best describes your organization?



EVOLVING MARKETS, EVOLVING INVESTMENTS

1



EVOLVING MARKETS, EVOLVING INVESTMENTS

BANKS AND INSURERS ARE SWITCHING TO FIXED INCOME AND DERIVATIVES IN THE RACE FOR RETURNS

Tighter monetary policy, geopolitical upheavals, and shifts in regulation are driving demand for new ways to generate returns. Financial institutions — banks and insurers among them — are racing to satisfy this demand, with new fund launches that increasingly lean on fixed income and alternative investments, including derivatives.

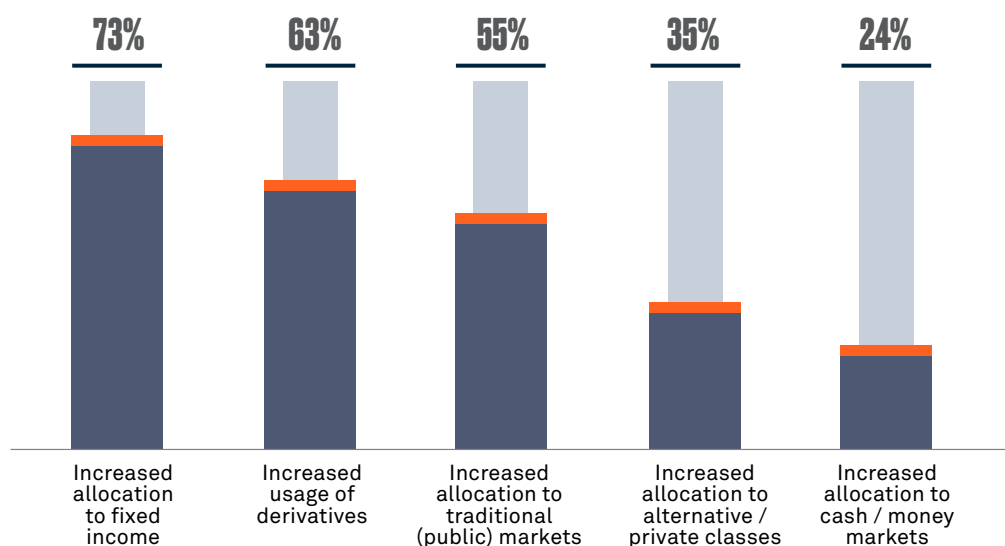
The appetite for alternatives has, in recent years, permeated every facet of the investment universe — particularly in the wake of regulatory changes that have enabled retail investors to access alternative investments via “liquid alts.” Banks and insurance providers with a large retail client base are looking to incorporate such offerings.

This is consistent with the broader trend towards “barbell” or concentration of strategies that focus on low-cost passive instruments (such as exchange-traded funds and index strategies) and high value-add / active strategies, as well as a growing focus on private markets and other alternative investments.

Our study underlines the direction of travel. In response to the higher interest rate environment of the last two years, almost three-quarters of respondents (73%) say they have increased their investment allocations towards fixed income. More than half of respondents say the same regarding an increased use of derivatives (63%) and allocations to public markets (55%). Meanwhile, just over a third (35%) have increased their investment allocations to alternative and private asset classes.

How has your organization changed its investment allocations within the general accounts in response to rising interest rates?

Select all that apply.



INVESTMENT OPERATIONS: MARKET AND INVESTMENT IMPLICATIONS

Diversification into new asset classes creates new opportunities for banks and insurers. But it also raises questions about how best to update investment approaches. Faced with increasing complexity, data strategy and technology choices are becoming decisive factors. In parallel, firms are grappling with what they should build and undertake themselves, versus what they should outsource.

Looking at how firms have updated their investment approaches over the past 12 months, 70% of our survey respondents, the largest such share, point to the expansion of in-house technology teams. Recruiting and retaining skilled technologists is no easy task in the current tight labour market. “Expanding our in-house technology team was critical to justify investments in new technology,” explains the sales director of an insurer. “We hired new niche talent to make the most of available data and provide effective decision-making support.”

Respondents are making greater use of new technology — and with tangible results. “Using more Internet of Things and AI technologies in operations has led to better decision-making and understanding of client behaviour. We will continue to expand our technology focus and also emphasize business model changes in the coming months,” says the vice president of sales and distribution at an insurer.

Our study shows that two-thirds (66%) of respondents report having made significant changes to their investment operations strategy over the past year, while an identical proportion has made significant changes to their technology / data strategy.

First and foremost, strategy adaptations are helping firms to stay ahead of their peers. “Technology has been growing exponentially, and we did not want to fall behind the competition,” says a sales leader at a bank that recently upgraded its data and technology strategies. Another key area is streamlining data management: “Our data strategy was changed to create more comprehensive availability for various divisions. Creating a single source of truth for multiple data sets was prioritized for better data usage,” says the director of operations at a credit union.

Firms are also adapting their strategies to tackle wider risks. “There were changes to our investment operations strategy owing to the economic and geopolitical risks,” says the chief operating officer of an insurer. “We have outsourced functions, and we are also hiring more external personnel to manage operations favourably.”

Few respondents cite workforce reductions when it comes to updating investment operations: only 10% and 8% have made cuts to their in-house technology or in-house investment teams, respectively. Indeed, 38% say they have expanded their in-house investment team over the past 12 months as firms snap up the expertise that they need to develop new products.

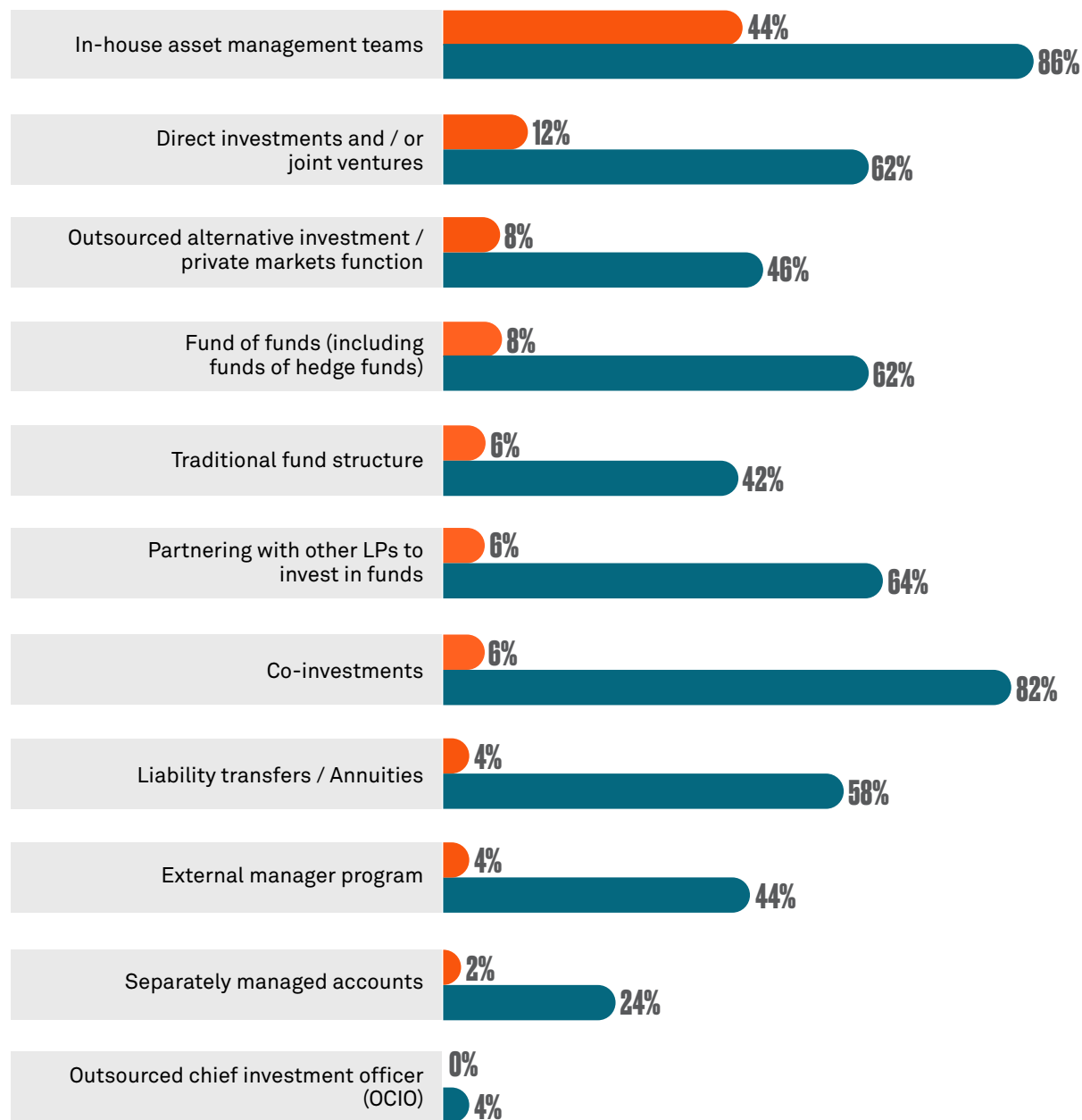


Our data strategy was changed to create more comprehensive availability for various divisions. Creating a single source of truth for multiple data sets was prioritized for better data usage.”

Director of Operations
Canadian Credit Union

Which investment models does your firm employ?

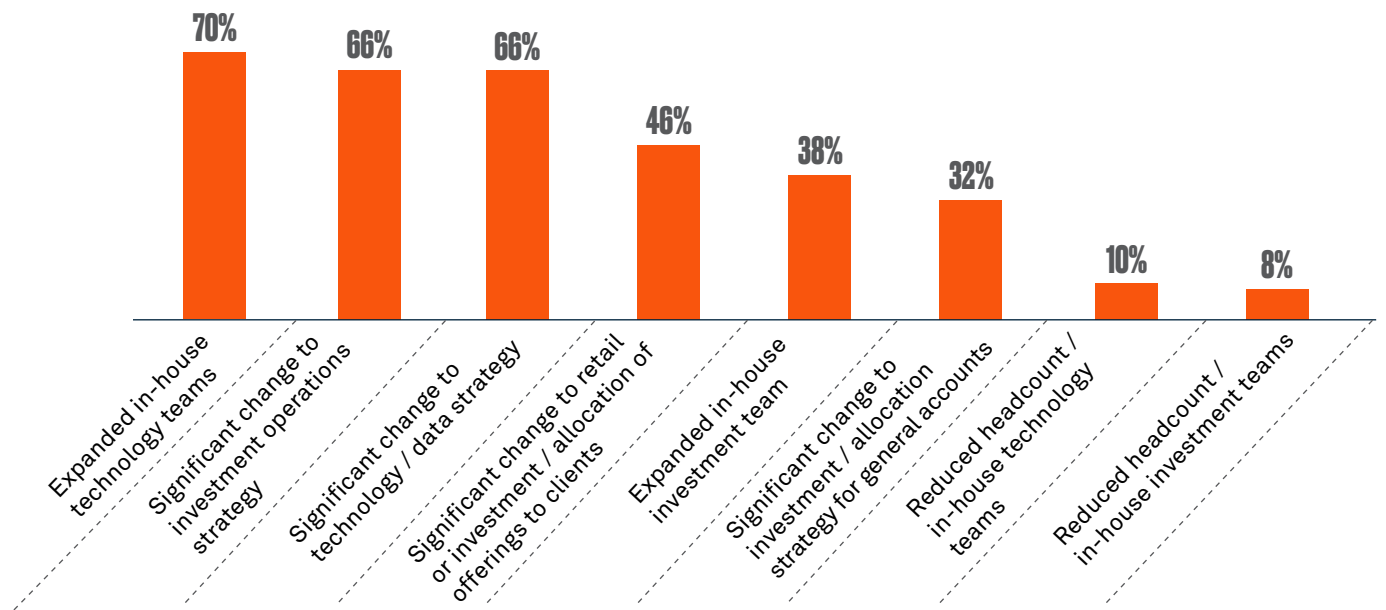
Select one primary model and all others that apply.



■ Primary Model
 ■ All that apply

How has your organization updated its approach to investing over the last year?

Select all that apply.



Canadian banks and insurers cannot stand still amid rising global competition and fast-emerging technology. As these leading financial services entities enter new global markets as well as defend and expand their domestic businesses, they will need to think carefully about how to advance their investment and data operations.”

RON LANDRY
Vice President
Head of Segment Solutions and
Canadian ETF Services
CIBC Mellon



INVESTMENT OPERATIONS QUESTIONS WORTH ASKING

Amid a continued push-and-pull between passive and active approaches:

- a. How are banks and insurers planning to navigate their allocations and product offerings between active and passive strategies?
- b. What are the operational, technology and talent implications?

The majority of banks and insurers report significant changes to their investment operations, technology and data strategies.

- a. How will firms measure success internally and against the competition?
- b. What are the implications of this enormous change for those who are opting to stay the course?

With rising effort on both in-house operations and outsourced functions:

- a. How will banks and insurers continue to find operating leverage and operational alpha?

How will firms compete for the right talent?

- a. Which critical talent will your organization focus on? Are there particular talent areas where you anticipate rising competition?
- b. How are you retaining key people?
- c. Are there talent areas where teams can be upgraded with AI, and people moved to higher value work?
- d. What operational areas can be transitioned to providers? What are the talent implications of outsourcing?

CIBC Mellon Banks and Insurance Operations Study

THE OPERATING EDGE

OUTSOURCING

2



OUTSOURCING

OUTSOURCING ON THE RISE AS FIRMS FOCUS ON DRIVING VALUE

Canada's banks, insurance companies and credit unions are further tightening their focus on the areas of business that drive and deliver core value, and outsourcing more non-core tasks to specialized providers.

Outsourcing is already well established in several areas of investment operations, from contact centres to fund administration. However, our study suggests that banks and insurers are looking to expand the range of activities they entrust to outsourcing partners. These include mission-critical tasks such as portfolio management and even asset allocation that were traditionally the sole preserve of in-house teams.

Aside from access to expertise, outsourcing minimizes or eliminates the high cost of in-house technology support, operation and provision, and offers capacity that can be scaled up or down quickly. "Our approach has been to outsource the tasks that can be managed more efficiently by outsourcing partners. We can reduce what we spend on solutions upgrades. Outsourced teams can manage these activities more systematically and they have the resources to manage varying demands," says the director of operations at a credit union.

OUTSOURCING AMBITIONS

Looking at functions that respondents already outsource — but which they plan to outsource even more — both research and data stand out. In the case of research (cited by 52%), demand for expert third-party assistance is likely being driven by the increasing complexity of the investment landscape, particularly the need for specialized research in areas such as emerging markets and sectors, alternative investments, and ESG (environmental, social and governance) factors. The biggest firms (those with AUM exceeding CAD\$100bn) are the ones most likely to tap into outside expertise. Indeed, 83% of such firms plan to outsource more of their research.

Data management infrastructure (cited by 42%) and data operations and / or analytics (40%) also stand out as areas in which firms that already outsource expect to outsource even more. This is consistent with data themes and findings across our research: firms have reached the limits of their legacy, in-house, and bespoke data operations, even as powerful new tools for data integration, management and interrogation are coming online. The possibilities are too compelling for firms not to consider their options to outsource. Not to be understated, outsourcing also transfers a key risk area to vendors: the need to sustain and grow top talent in a hotly contested industry area.



Our approach has been to outsource the tasks that can be managed more efficiently by outsourcing partners. We can reduce what we spend on solutions upgrades. Outsourced teams can manage these activities more systematically and they have the resources to manage varying demands.”

Director of Operations
Canadian Credit Union

Turning to the functions that respondents currently perform in-house, but which they plan to outsource or explore outsourcing, our study reveals — surprisingly — that portfolio management is top of the list. More than half of respondents (56% overall) are looking to outsource in this area, with banks (65%) even more interested than insurers (48%) in exploring this option.

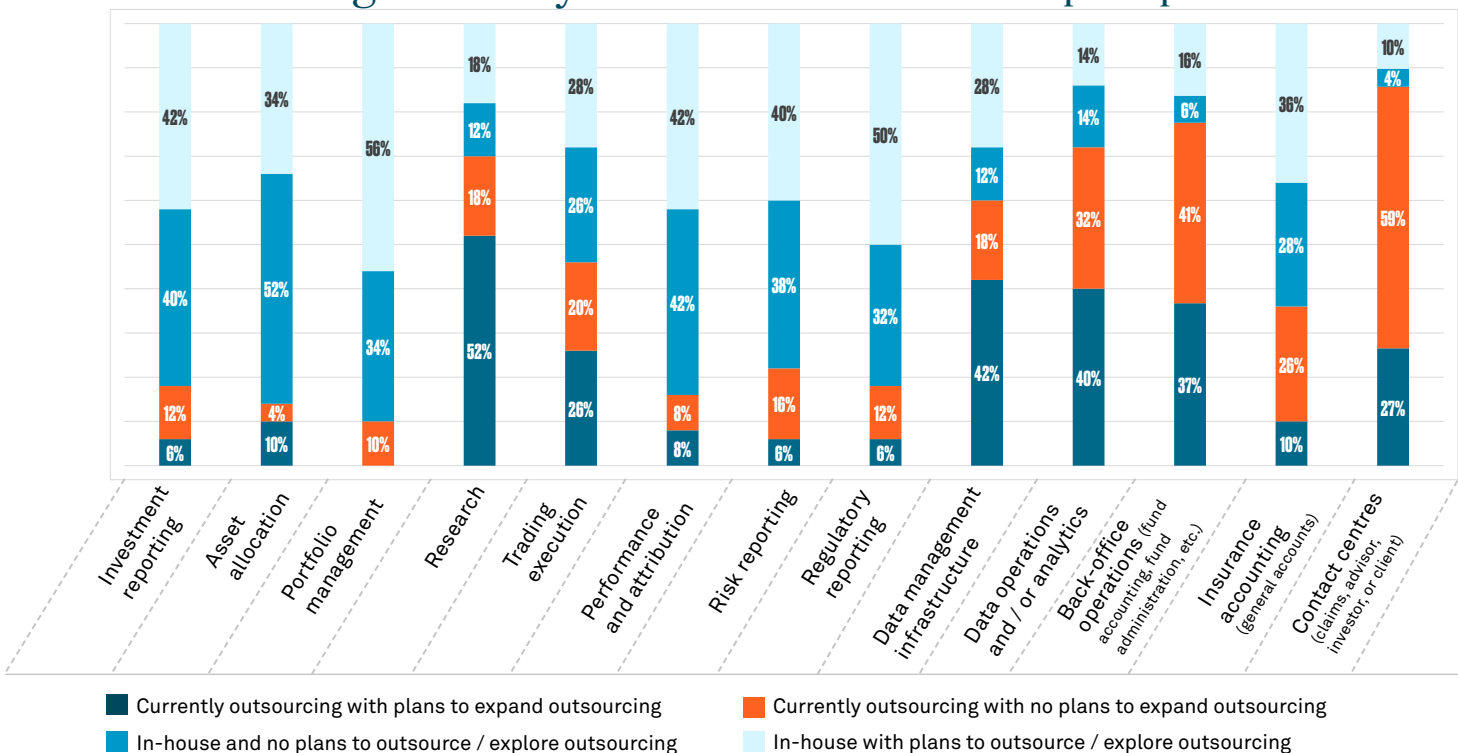
Given the cost and complexity of portfolio management, it is perhaps unsurprising that it is smaller firms, rather than larger ones, that are looking to outsource portfolio management. Our study confirms this: of the smaller firms (those with AUM between CAD\$1bn-CAD\$5bn), 14% are currently outsourcing portfolio management (the largest such share across all AUM ranges) and 71% are planning to outsource or explore outsourcing for this function (again the largest such share across all AUM ranges). Conversely, among the largest respondents (those with AUM exceeding CAD\$100bn), half say they oversee portfolio management in-house and have no plans to outsource it — although a substantial minority (42%) say they have plans to outsource portfolio management or are at least exploring the idea.

Asset allocation — the essence of investment operations — is another surprise: more than a third (34%) of firms that perform this core function in-house are looking to outsource. Insurers (48%) are more than twice as likely to say they are exploring this versus their peers in the banking sector (22%). This course of action is most likely to be favoured by the largest firms (50%) rather than the smallest ones (29%).

Nonetheless, asset allocation does still stand out at the top of the list of functions that respondents say are most likely to stay in-house with no plans to outsource, being cited by 52%. This is followed by performance and attribution (42%) and investment reporting (40%).

Finally, regarding areas that are already outsourced but for which there are no current plans for expansion, the answer option of contact centres garners 59% of votes from our survey participants. Given that many firms have already outsourced this function — and have done so comprehensively — many respondents had little left to farm out.

What are your current arrangements and outsourcing plans for the following areas of your business? Select one option per row.



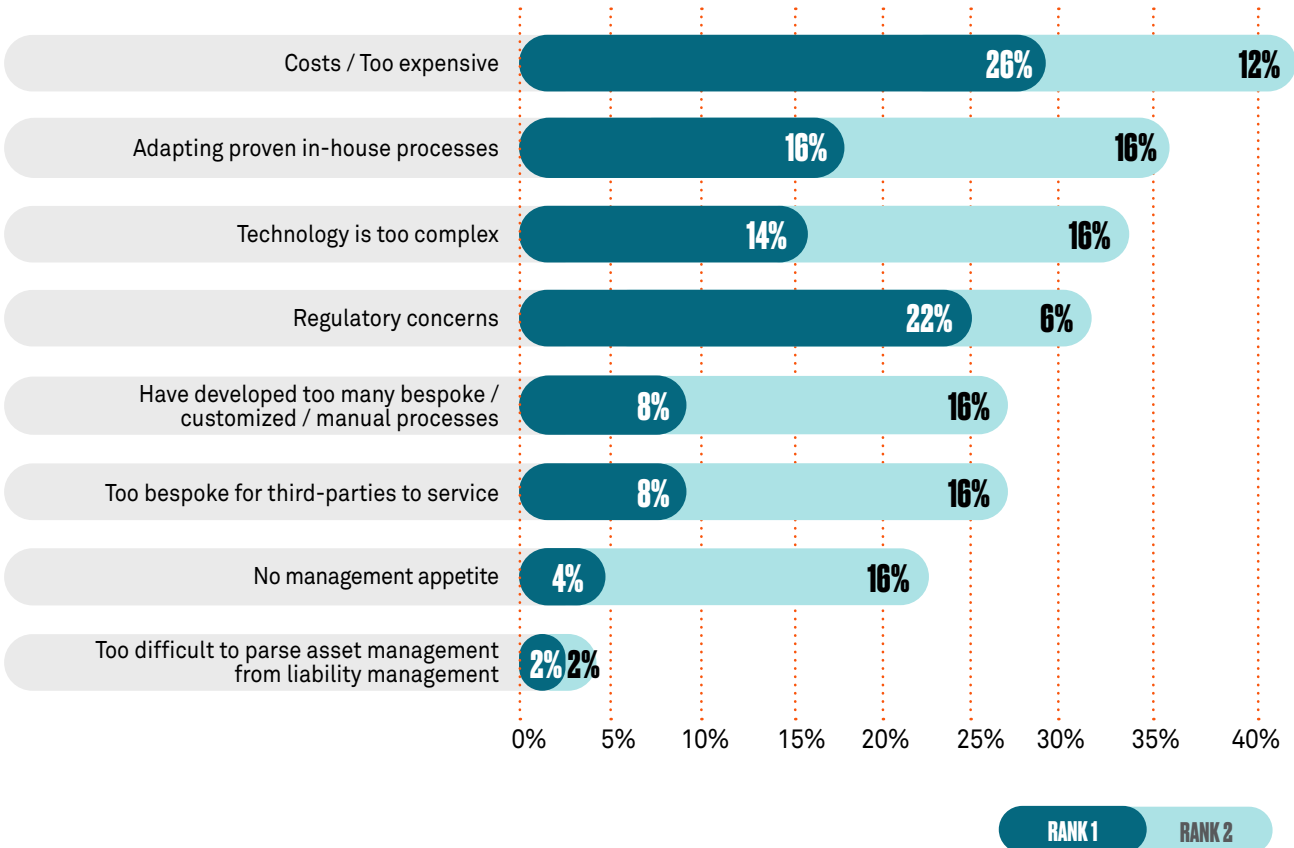
OUTSOURCING SEGREGATED FUNDS

Segregated funds — widely used by Canadian insurers — are a potential candidate for outsourcing. Most respondents do not regard these products as being too bespoke for third parties to service (only 8% think this would be a barrier). Potential practical difficulties — such as parsing asset management from liability management — are also not seen as insurmountable, with only 2% of respondents identifying these as a barrier.

The main hurdles to outsourcing segregated fund services that our survey participants identify are cost (cited by 26% as the number-one factor), closely followed by regulatory concerns (22%). Adapting proven in-house processes (16%) and technology complexity (14%) also score highly in that regard.

What are the biggest barriers to outsourcing dealer / advisor services (segregated funds) ?

Select top two and rank 1-2, where 1 = biggest barrier.



COMPETITION AND CONSOLIDATION

3

COMPETITION AND CONSOLIDATION

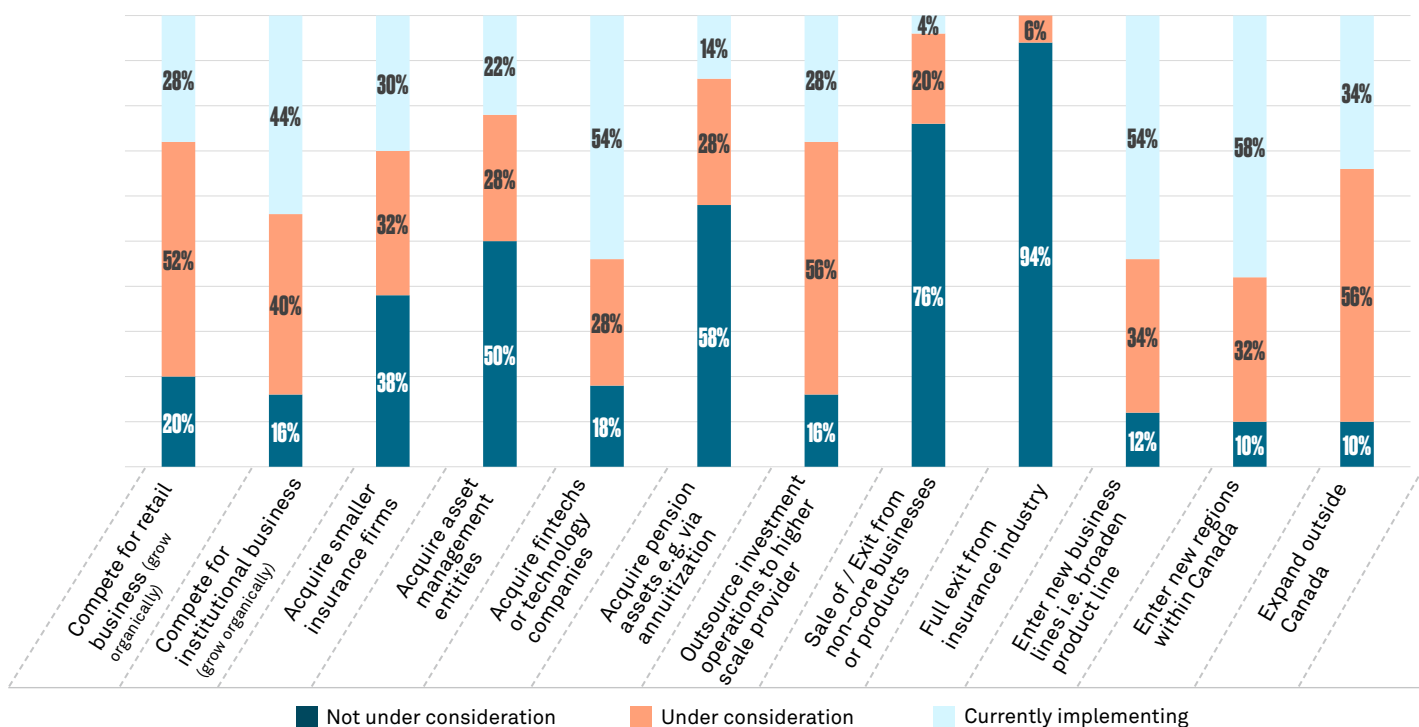
THE RACE TO SCALE UP IS ACCELERATING

Banking and insurance in Canada are in a state of flux — a point underlined by the recent uptick in consolidation and acquisition. For many Canadian banks, domestic growth has been more successful than expansion into the U.S. Our study underscores the importance of the home market as a growth engine: the largest share of respondents looking to build scale (58%) report that they are currently implementing plans to enter new regions in Canada to achieve this.

Respondents are also decisively turning to tech in the race to build scale. The move to acquire fintechs is notable: more than half (54%) say they are currently acquiring fintechs or technology companies. This group is skewed towards the largest organizations surveyed, who are generally more acquisitive overall. Meanwhile, a further 54% say that they are broadening their product line.

A recent and interesting trend is fintechs partnering with existing financial institutions in Canada to access markets and clients. “Large technology companies are partnering with firms in Canada to enter markets seamlessly,” explains the senior director of operations at a bank. “They will have access to a strong customer base in the coming years.” Just over half of respondents (56%) are looking to expand outside of Canada (34% are already implementing such plans) or to outsource their investment operations to a higher-scale provider (also 56%). While only 28% of respondents overall are already outsourcing to a higher-scale provider, this phenomenon is much more common among larger providers: 40% of respondents with AUM between CAD\$25bn-CAD\$100bn and 42% of those with AUM exceeding CAD\$100bn say they have already implemented this practice. Most respondents (76%) are not considering divesting themselves of non-core businesses or products.

Do you use or are you considering using the following approach to gain scale? Select one option per row.



THE AUTOMATION EDGE

EXPERT PANEL:

Changing the Operations Game



Richard Anton
Chief Client Officer,
CIBC Mellon



Charlena Gaulin
SVP, Client Operations, Technology,
Infrastructure and Innovation, CIBC



Joy Santosh
Chief Operations Officer,
ActiveOps North America

CIBC leverages ActiveOps to advance capacity management, and CIBC Mellon is leveraging insights from our Canadian bank parent to advance.

Watch as Richard Anton, Chief Client Officer, CIBC Mellon hosts a panel discussion with Charlena Gaulin, SVP, Client Operations at CIBC and Joy Santosh, Chief Operations Officer, ActiveOps North America, exploring a bank-fintech success story.



<https://vimeo.com/1029038552>



We've proven at CIBC that we have a very *efficient and effective playbook* to deliver strong results through the deployment of data-driven capacity management tools across multiple types of services."

CHARLENA GAULIN
Senior Vice President
Client Operations,
Technology, Infrastructure and
Innovation
CIBC



FINTECH ENGAGEMENTS AT CIBC MELLON

- HIGHLIGHTS FROM OUR RECENT EVENTS

CIBC MELLON

MONTRÉAL FINTECH
INNOVATION SHOWCASE

DUCO AND MANULIFE

Gary Kennedy of Duco joined Manulife's Charles Juneau and CIBC Mellon's Michael Garneau for a discussion on May 6, 2024 at CIBC Mellon's Montreal Fintech Showcase event.

<https://vimeo.com/cibcmellon/manulifeandduco>

Mike Garneau: Vice President, Client Management
Charles Juneau: SVP, General Manager, Mutuals Investment Management
Gary Kennedy: Enterprise Sales Director, Duco



The financial services industry has been focused on streamlining processes and achieving greater automation for decades, and as a result most of the straightforward problems have been resolved. The real challenge now lies in addressing the exceptions and complex cases that traditional systems struggle with. This is where low-code technology has the potential to offer advantages over more traditional IT infrastructure in terms of flexibility and speed, by allowing operations experts to deploy that knowledge and experience directly against technical challenges, without needing to work through IT and coding resources to bring solutions to reality.”

GARY KENNEDY
Vice President
Enterprise Sales Director,
Duco



CHARTING THE NEW THREAT LANDSCAPE

Turning to the subject of competitive pressures, the largest share of respondents (24%) see banks or other multi-line asset management firms as the single-biggest threat currently to their firms' business. "Multi-asset management firms are creating highly-customer-centric solutions that are bound to attract a greater market share in the next couple of years. This is the main reason they are the biggest threat," says the regional vice president of investment at an insurer.

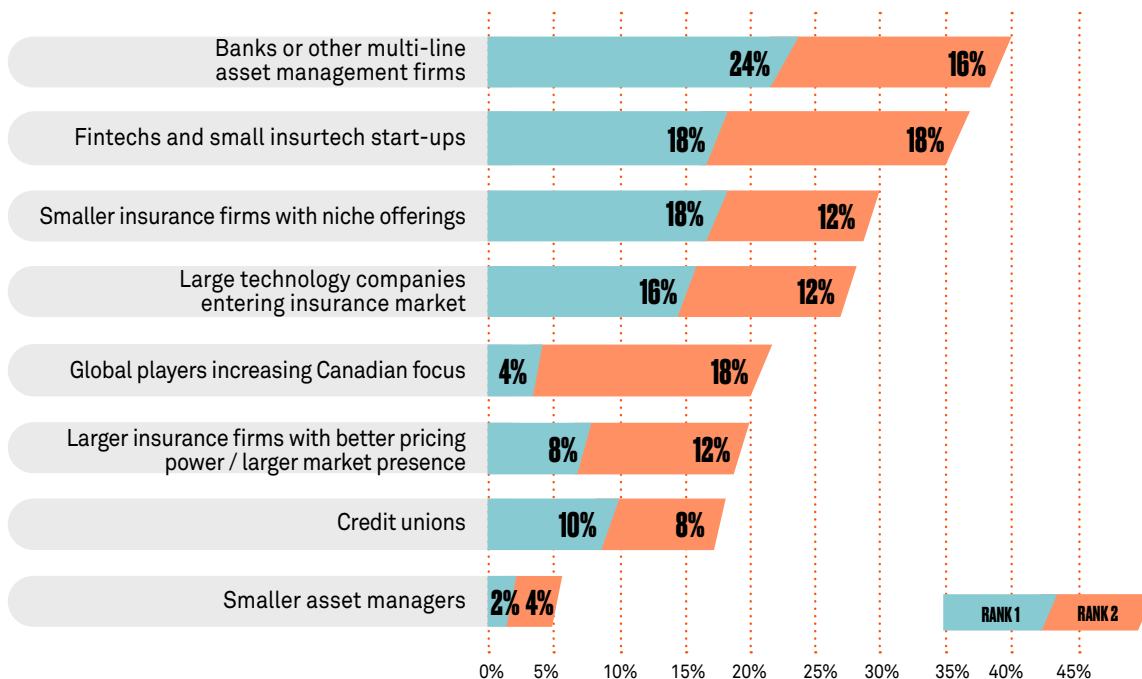
Customer experience is now a key frontier — as evidenced by the next most-mentioned threat, namely that posed by fintechs and small insurtech start-ups. Fintech banks are currently not widespread in Canada, but incumbents are quick to acknowledge the threat they pose.

"Fintechs are highly disruptive in today's environment. They have greater potential to attract customers, not only with their advanced product offerings but also with their updated marketing and sales techniques," says the chief executive officer of a bank. Just under a fifth see fintechs and small insurtech start-ups as the biggest threat (18%), and as many respondents point to smaller insurance firms with niche offerings (also 18%).

Only 4% identify global players with an increasing focus on Canada as a primary threat — reflecting the fact that the Canadian financial services sector is highly regulated with associated high barriers to entry that can to some extent insulate the sector from foreign competition. That said, 18% do feel that global players pose a noticeable secondary danger to their business.

Of the following types of competitors, which do you see as the biggest threats to your firm's business currently?

Select top two and rank 1-2, where 1 = biggest threat.



FINTECH IN FOCUS

Fintechs have emerged into the scene rapidly, bringing new capabilities online as competitors, collaborators and service providers to Canada's banks, insurers and credit unions.

Through 2024 and into 2025, CIBC Mellon has been pleased to gather leading Canadian institutional investors and technology companies for discussions and shared learning.

FINTECH ENGAGEMENTS AT CIBC MELLON

– HIGHLIGHTS FROM OUR RECENT EVENTS



iA GLOBAL ASSET MANAGEMENT

iA GAM COO Jean-Pierre Cornillaut joined CIBC Mellon CEO Mal Cullen and Microsoft's Head of Financial Services Americas Jacqueline O'Flanagan for a leadership panel at the CIBC Mellon x Microsoft Technology and Innovation Showcase on Nov. 5, 2024.

<https://vimeo.com/cibc-mellon/microsoftleadership?ts=0&share=copy>



“ Our work has tight market-driven timelines and work needs to be completed for our clients by specific points in the day. As we continue to evolve, to grow with our clients and more rapidly meet their changing needs, it’s important that we identify capacity pockets and respond to workload changes swiftly to meet operational demands and deliver exceptional client service.”

ANDREW LAM

Assistant Vice President
Fund Accounting
CIBC Mellon

NEW COMPETITORS ON THE RISK RADAR

Looking ahead, many respondents expect that banks or other multi-line asset management firms will remain a major threat to their businesses in the next 3-5 years. “Banking competitors are constantly focusing on internal improvements. This was not the case a few years ago. We were running operations more stably, without disruption,” says the chief operating officer of a bank.

However, it is the threat posed by tech companies — rather than conventional competitors — that is seen as being the biggest medium-term challenge. The entry of large technology companies into the insurance market is the number-one concern, accruing 30% of first-place votes, by far the largest such share. Meanwhile, more than a fifth of respondents say fintechs and small insurtech start-ups will be the biggest threat to their business.

“Small insurance start-ups are developing innovative solutions,” observes the chief operating officer of an insurer. “This will enable better service standards in the industry, but it is testing our capabilities to keep up with advances in technology.”

While tech companies are still widely perceived as a hazard, change is in the air — there is growing evidence of a trend towards collaboration between incumbents and tech-first players. Rather than being a zero-sum game, financial institutions are increasingly forging sophisticated partnerships with fintechs and others to unlock new sources of mutual value.

“Large technology companies are growing inorganically, and they are partnering with firms in Canada to enter markets seamlessly,” observes the senior director of operations at a bank. “They will have access to a strong customer base in the coming years.”



Small insurance start-ups are developing innovative solutions. This will enable better service standards in the industry, but it is testing our capabilities to keep up with advances in technology.”

Chief Operating Officer
Insurer

“

Rather than being a zero-sum game, financial institutions are increasingly forging sophisticated partnerships with fintechs and others to unlock new sources of mutual value.”

JOE LACOPO

Vice President
Asset Manager
Segment Head
CIBC Mellon



“

Banking competitors are constantly focusing on internal improvements. This was not the case a few years ago. We were running operations more stably, without disruption.”

Chief Operating Officer
Bank

A portrait of Jeff Mastin, a man with a shaved head and a goatee, wearing a blue suit jacket over a white shirt. He is looking slightly to the right of the camera with a neutral expression.

JEFF MASTIN

National Sales Lead,
Azure Digital & Application Innovation

MICROSOFT

<https://vimeo.com/cibcmellon/jeffteaserdayofshow?ts=0&share=copy>



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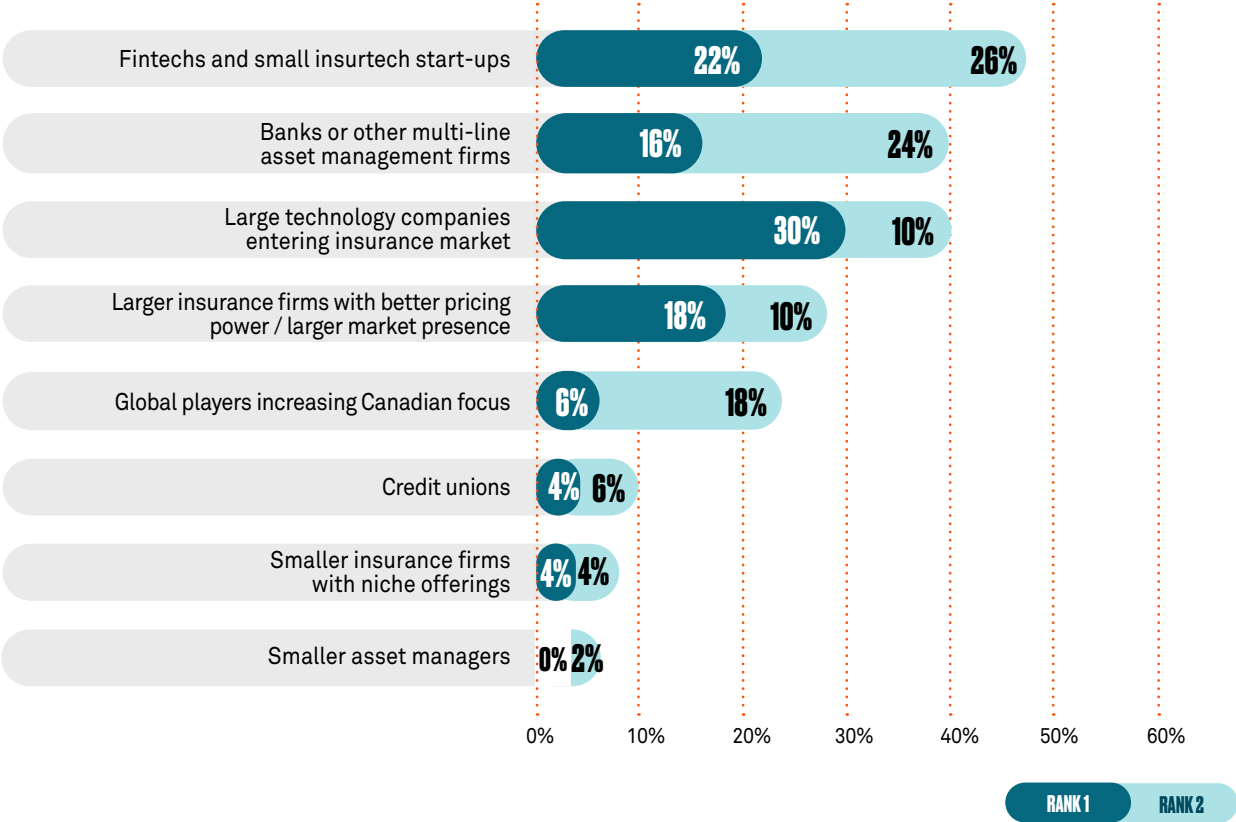
Institutional investors should really think hard on cloud. This is a time to adopt everything that cloud has to offer. It's unmatched scalability, agility and most of all innovation.

In the last couple of years we have seen a shift in the pace of technology being deeply engaged in Generative AI conversations, the idea is to really help our customers understand the current capabilities, but also where the technology is heading.”

JEFF MASTIN

National Sales Lead
Azure Digital and Application Innovation
Microsoft

Of the following types of competitors, which do you expect to be the biggest threats to your firm’s business in 3-5 years’ time? Select top two and rank 1-2, where 1 = biggest threat.



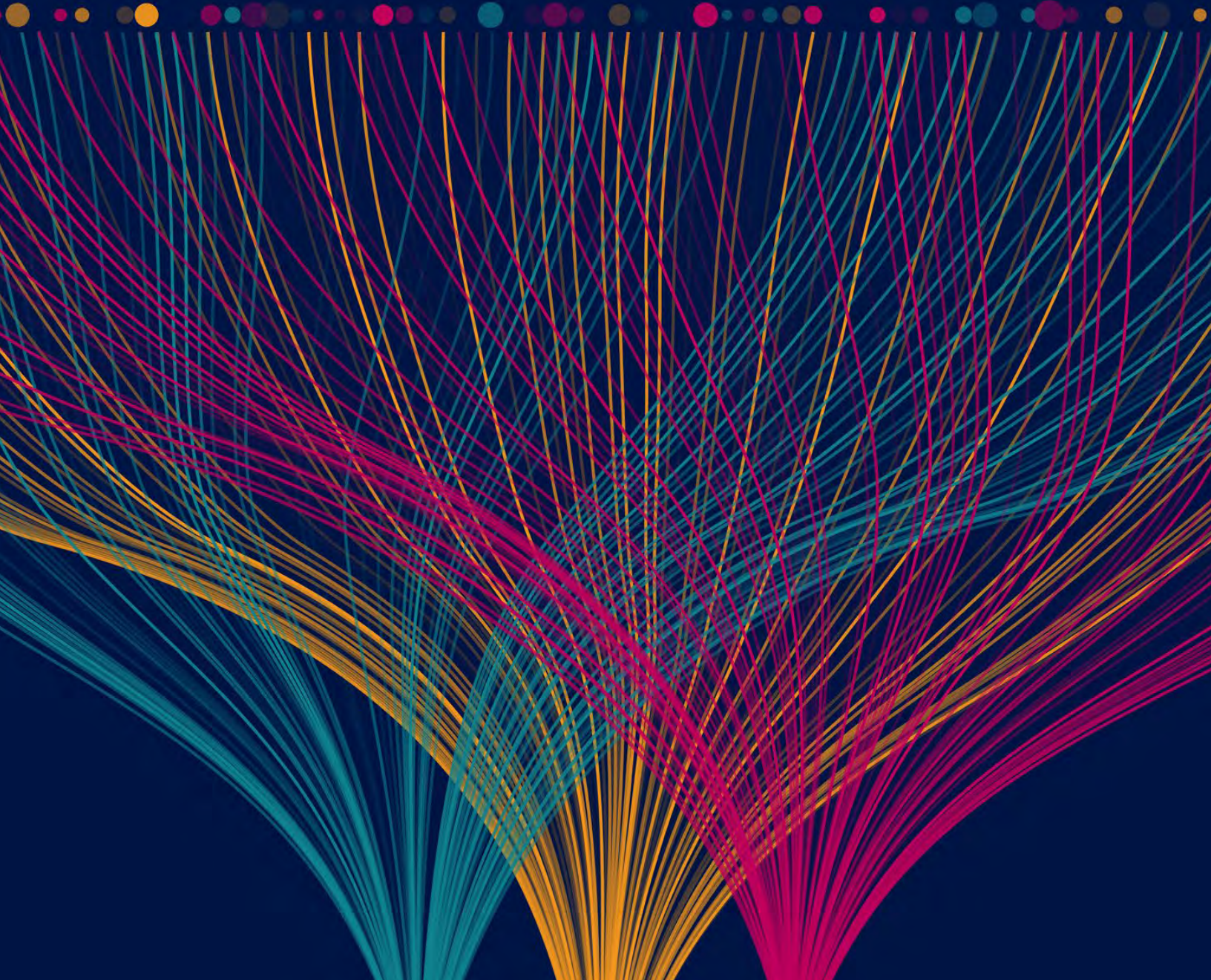
Large technology companies are growing inorganically, and they are partnering with firms in Canada to enter markets seamlessly. They will have access to a strong customer base in the coming years.”

Director of Operations
Bank

THE OPERATING EDGE

**DATA:
THE FUEL OF THE
INVESTMENT INDUSTRY**

4



DATA: THE FUEL OF THE INVESTMENT INDUSTRY

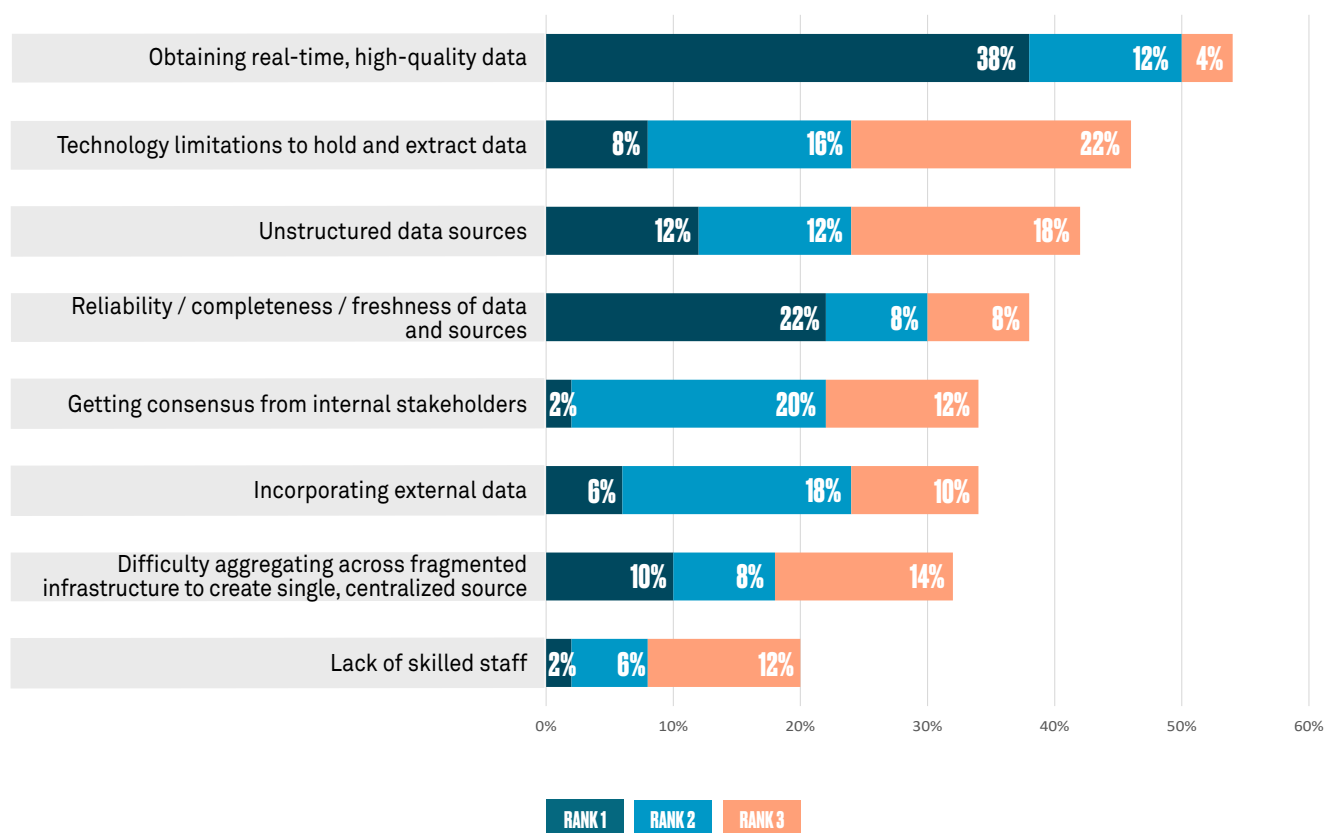
DATA QUALITY, GOVERNANCE, AND ACCURACY ARE A CORE CHALLENGE EVEN AS BANKS AND INSURERS RECOGNIZE DATA AS A CORE OPPORTUNITY

Data management — the collection, storage, and cleansing of data — is central to modern investment operations. However, it remains a struggle for many respondents, particularly when it comes to the fundamental question of data quality.

Looking at this in more detail, respondents say that obtaining real-time, high-quality data is by far the biggest barrier they face to managing data effectively, with 38% identifying this as the single greatest obstacle. This is followed by the related issue of ensuring the reliability, completeness, and freshness of data and sources, which garners 22% of first-choice votes.

Which of the following are the main barriers to managing data i.e. collect, store, clean) effectively?

Select top three and rank 1-2-3, where 1 is the most important.



CRUNCH TIME: DATA WITH URGENCY



RON LANDRY
Vice President
Head of Segment Solutions and
Canadian ETF Services
CIBC Mellon



The race to win is increasingly powered by data. Getting to actionable, trusted data at speed is an ongoing challenge – underscored by the role data plays in helping firms navigate a crisis.”

Survey participants were asked how their firm responds to an urgent need for data, for instance in the event of a market disruption, major event, or if data is required for legal purposes.

Most respondents — around two-thirds — rely heavily on specialist external suppliers when it comes to compiling data in a crisis. In most cases, data analysis is carried out by internal teams. However, nearly a quarter of respondents say they turn to external advisors for assistance.

“Given limited internal resources, we use the services of outside data providers and advisors. It provides more clarity on the problems we are facing currently and ones that may impact our business in the future,” says the vice president of sales and distribution at an insurer.

In a crisis, time is of the essence. One of the challenges of relying on internal data is that, unless it is collated properly, gaining the required insights can take too long. This makes tapping into external expertise an attractive option. “We use information provided by data suppliers,” explains the chief operating officer of a bank. “This is helpful when data has to be obtained within a limited period of time. In-house teams may not have access to the latest news and information soon enough.”

Prevention is better than cure, and the best solution is to head off threats proactively. Horizon scanning plays a critical role here. “Data teams collate information on various aspects of business and global events. We are constantly monitoring the geopolitical, economic, environmental, legal, and regulatory environment for potential threats,” says the vice president of a bank.

“

Institutions know they need to be able to trust their data. This can include establishing processes to clean and confirm data as well as govern, test and verify critical data on which to base critical decisions.

As financial services firms increasingly consider the adoption of artificial intelligence tools, they are recognizing opportunities to use the power of AI to connect disparate systems as well as look across huge volumes of nonstandard data. *The AI unlock creates new opportunities to review and confirm data accuracy, as well as significant risks related to the governance of data entrusted to these organizations by clients.*

To respond to the meteoric rise in demand, banks and insurers are staffing up rapidly and competing aggressively for scarce AI talent. They are also looking outside, and bringing in consultants, vendors and technology allies to help advance the ability to oversee, govern and control not only the data entrusted to them.

Firms are also thinking carefully about their outputs, and introducing new lines of control and consideration in terms of how the data they report and publish is being incorporated and used by vendors to carry out services.”

MIKE PLANTINGA

Vice President
Head of Enterprise Resiliency
CIBC Mellon



DATA DILEMMAS

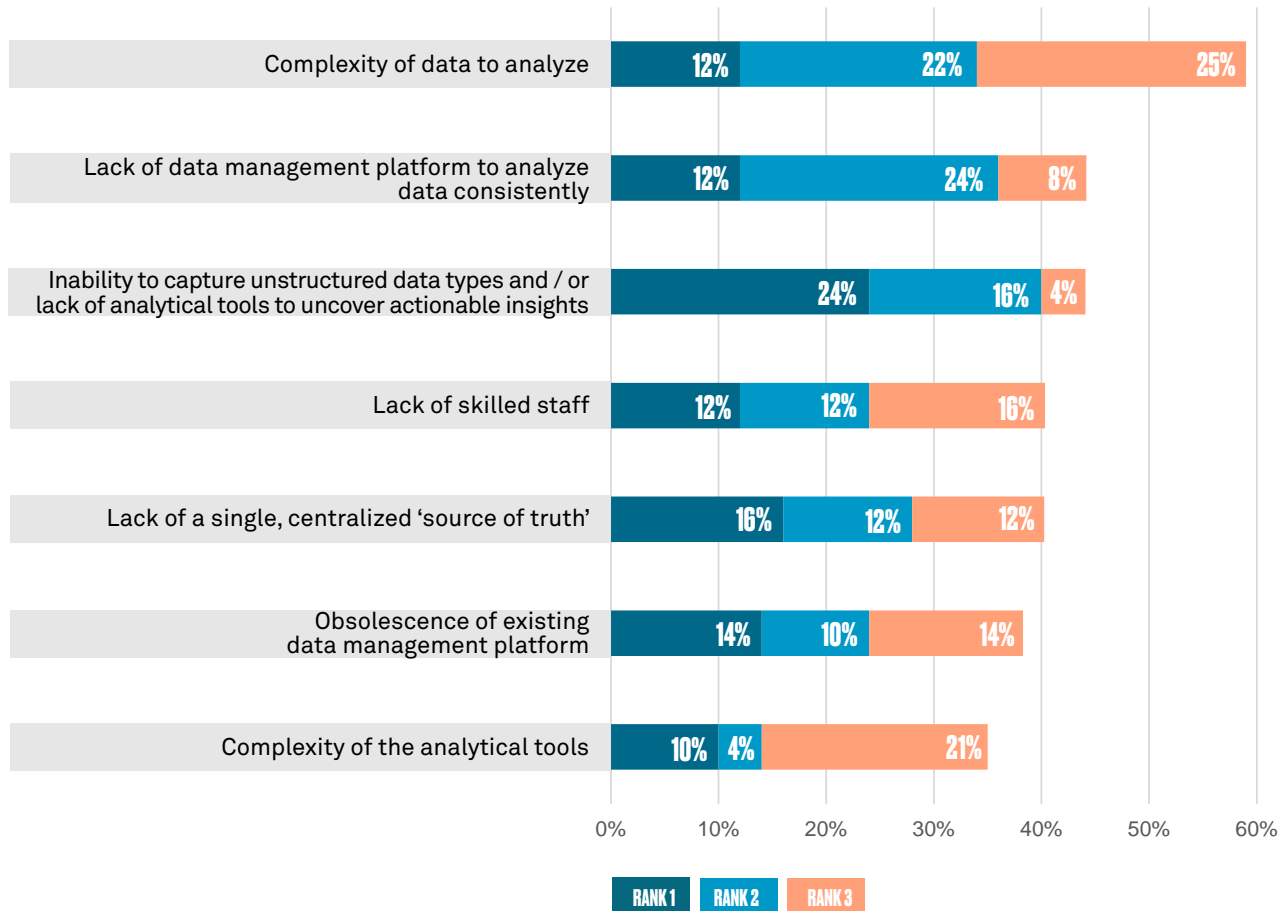
When it comes to extracting meaningful insights from data, the biggest hurdle that respondents face is the inability to capture unstructured data types and / or a lack of analytical tools to uncover actionable insights, which is cited by 24% as the number one obstacle. This links back to the previous point about data management in a crisis — and it goes some way to explaining why nearly a quarter of respondents depend on external advisors in such situations.

The position is similar when it comes to having a single, centralized “source of truth” — the lack of which is cited as the greatest barrier to extracting meaningful insights from data by the second-largest share of respondents (16%). Cost and a shortage of the appropriate skills are key issues here, as indeed is the lack of reliable data, particularly in relation to more niche subjects like ESG.

The lack of a data management platform to analyze data consistently, as well as the complexity of data, accrue relatively few first-place selections, but large shares of secondary and tertiary votes from our respondent set. Getting the most out of their data can raise manifold, interrelated issues for organizations.

Which of the following are the main barriers to extracting meaningful insights from your data?

Select top three and rank 1-2-3, where 1 is the most important.



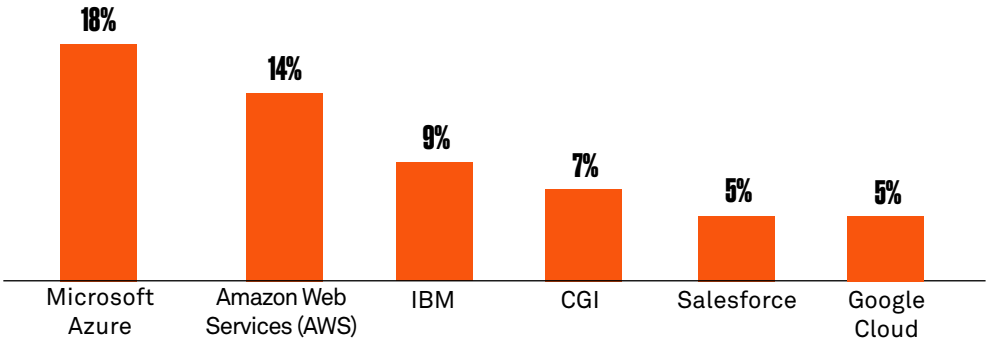
DATA DELIVERERS

TOP VENDORS

Banks and insurers see fintechs as innovators. But when it comes to the most important vendors / providers in their data infrastructure, it is established firms — rather than fintechs — that are mentioned most often.

Indeed, the most important data infrastructure vendors / providers for a majority of respondents are household names, with Microsoft Azure at the top of the list. The position is similar with investment information technology / data — asked which firms in their opinion are Canada’s market leaders, the largest share of respondents point to long-standing Bloomberg.

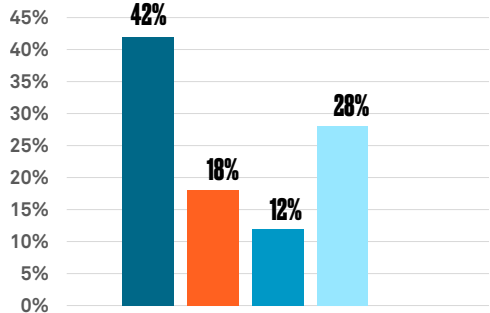
Who are the most important vendors / providers in your data infrastructure? Specify up to 3 - Top 5.



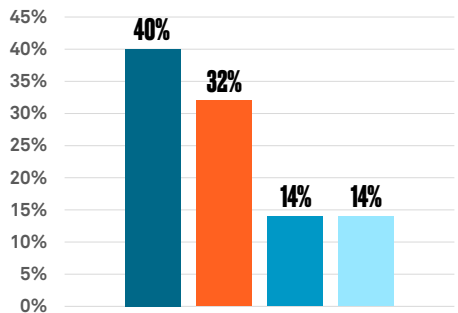
DATA OPERATIONS OUTSOURCING INTENTIONS

When it comes to data management infrastructure, operations and analytics, the operational edge provided by outsourcing is clear. The vast majority of banks and insurers in our study currently outsource these functions, with the 40% or more of respondents indicating that not only do they rely on external providers, but they intend to further expand data outsourcing.

Data Management Infrastructure



Data Operations and / or Analytics



- Currently outsourcing with plans to expand outsourcing
- Currently outsourcing with no plans to expand outsourcing
- In-house and no plans to outsource / explore outsourcing
- In-house with plans to outsource / explore outsourcing

REPORTING SOLUTIONS

Respondents consider two types of tools to be especially important in improving their firm’s daily reporting analysis tasks. At the top of the list are data analysis / quality tools (22% of first-place votes, plus 18% of secondary ballots). This is closely followed by tools for the management and analysis of new data and volumes of data (20% and 22%, respectively)

The ability to handle large amounts of data is critical for many respondents and several refer to the volume of data required for decision-making. Our survey participants also recognize that data management is a moving target and that systems must be kept constantly up to date.

“Data analysis systems should be tuned to the latest requirements,” emphasizes the senior director of operations at a bank. “It is essential that we keep investing in these systems to enhance the quality of reporting, and also impact our decisions positively.”

Interestingly — and despite the rise of AI tools for creating summaries — not a single respondent considered that natural language capabilities to produce commentary / analysis to be worthy of a first-place ranking when it comes to improving their daily reporting. This suggests that the AI tools available in the market currently lack the maturity to be relied upon for critical applications of this sort — and points to an opportunity for both in-house and vendor technology teams to target in terms of enhancement.

This is not to say that practical, responsible and well governed artificial intelligence applications are far out; the AI space is moving incredibly quickly, with new applications, opportunities and risks making headlines each day.

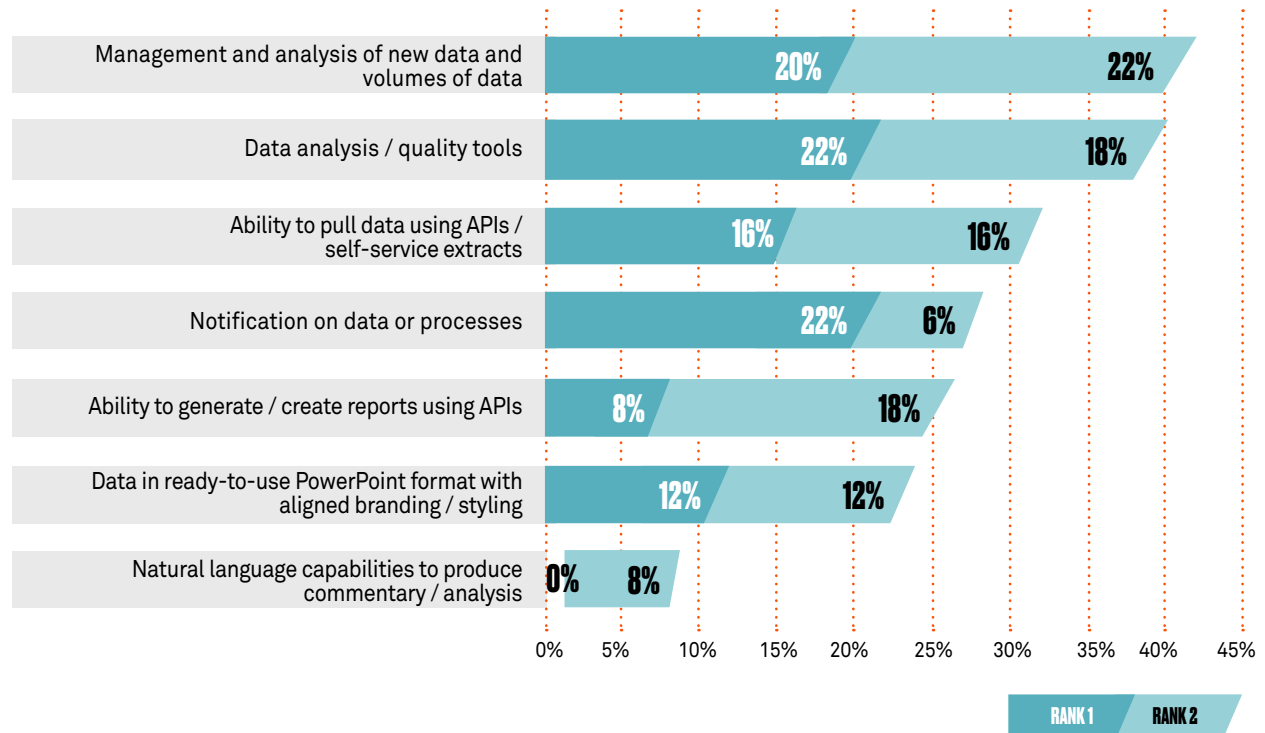


Data Management is a moving target and systems must be kept constantly up to date. Data analysis systems should be tuned to the latest requirements. It is essential that we keep investing in these systems to enhance the quality of reporting, and also impact our decisions positively.”

Senior Director of Operations
Bank

Of the following tools, which are most important in improving your firm's daily reporting analysis tasks?

Select top two and rank 1-2, where 1 = most important.



ARTIFICIAL INTELLIGENCE

5



ARTIFICIAL INTELLIGENCE

AI IS SET TO REVOLUTIONIZE INVESTMENTS, OPERATIONS, CLIENT EXPERIENCE, AND MUCH MORE

In an open-ended question, survey participants were asked how they believe AI will change their industry in the next 18-24 months. Overall, the technology is viewed as tremendously helpful for automating routine processes and boosting productivity, especially through enhanced data management and risk assessments. “With the help of AI, companies can optimize the use of data and use the latest insights for making profitable business decisions,” believes the chief operating officer of an insurer.

One particularly promising field is generative AI. This is AI that learns and adapts according to the patterns it identifies — a capability that has major implications for customer relations, with the potential to improve service levels and free up human advisors to focus on other value-additive areas. “AI-driven chatbots and innovative AI assistants will be deployed by insurance companies to lower the pressure on their customer service teams,” predicts the vice president of sales at an insurer.

“

Generative AI will revolutionize productivity, interactions, and the speed with which we can respond to consumer preferences, and I think it will affect almost all parts of our lives.”

MARIANNA LOEPERT-SHAYE
Global Head of
Digital Partnerships
Strategic Investments and
Innovation Centres
BNY



The potential for AI to transform the customer experience sparked the most comments from respondents, with nearly a third mentioning features from complaints handling to customer behaviour analysis. “Virtual assistants will be equipped to provide more accurate responses to customer queries,” says the vice president of operations at a bank. “Responses will be more human-like.”

Customer-facing applications aside, respondents are also enthusiastic about the potential for optimised decision-making. This is expected to touch everything from risk management to investment choices. “Immense amounts of data can be collected and processed using technology. With the help of AI, companies can optimize the use of data and use the latest insights for making profitable business decisions,” says the chief operating officer of an insurer.

Less glamorous but just as important is the scope for AI-enhanced automation of routine processes, including complex ones such as claims management. This can extend to fraud detection — a capability highlighted by several respondents. “AI algorithms can assess anomalies in transactions and customer behaviour patterns to detect fraud,” says the executive vice president of a bank. “There have been many advances in this particular area.”

CIBC MELLON

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Industry Perspectives

**ROI AND AGENTIC
ARTIFICIAL
INTELLIGENCE**

FEAT. ACCELEX, MERADIA,
SILVER LEAD TECH AND
CIBC MELLON

PART 1
<https://rb.gy/rx3pvh>

PODCAST

Dr. Brian Charles
Head of Silver Lead Technology Advisors
& director of MIT's executive AI and
business strategy course via 2U/edX

Phillip Mortimer
Chief Technology Officer,
Accelex

Brian Buzzelli
Head of Data Practice,
Meradia

Mike Plantinga
Vice President, Enterprise Security,
CIBC Mellon

Brent Merriman
Vice President, Marketing and
Strategic Insights, CIBC Mellon

MODERATOR



Immense amounts of data can be collected and processed using technology. With the help of AI, companies can optimize the use of data and use the latest insights for making profitable business decisions.”

Chief Operating Officer
Insurer

GOVERNING ARTIFICIAL INTELLIGENCE AND RESPONSIBLE USE

AI is seen as crucial to gaining a competitive edge — a point made by several respondents. “When it comes to AI adoption, it’s important that the industry does not lag behind in any way. There are new market players that are already using AI comprehensively to attract customers. AI will shape competition further,” says the sales director of a bank.

Despite the expected benefits, there are new obligations to be taken into account as well — including the need for robust governance and controls. “There could be challenges implementing AI systems without learning about the underlying technical risks,” emphasizes the director of customer experience and operations at an insurer. “Many players in the industry will rely on external expertise to guide their AI adoption decisions.”

Human factors also require careful consideration. Keeping the workforce on side is one of them. “We can expect negative impacts from the use of AI,” says the vice president and treasurer of a bank. “Teams will be concerned about job security as jobs are being displaced.”

Meanwhile, some warn against the risk of investing in AI for AI’s sake, particularly if objectives are not carefully defined. In short, there can be no AI strategy without a data strategy. “Companies may invest in AI without knowing their own capacity to monetize AI tools,” says the chief executive officer of an insurer. “It is important that they focus on understanding their internal capabilities fully before they increase investments in this direction.”


CIBC MELLON

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Industry Perspectives


ARTIFICIAL
INTELLIGENCE

TRANSFORMING THE
DIGITAL AND
TECHNOLOGY
LANDSCAPE


PODCAST




Michael Demissie
Managing Director
Head of Applied AI and Practice
BNY



Mike Plantinga
Vice President and Head of
Enterprise Security
CIBC Mellon



Moderated by: **Brent Merriman**
Head of Marketing
CIBC Mellon



<https://creators.spotify.com/pod/show/cibcmellonperspectives/episodes/AI-Transforming-the-Digital-and-Technology-Landscape-e2m-v8k7/a-abfk27b>

- ▶ Tune in as Michael Demissie from BNY and Mike Plantinga from CIBC Mellon discuss the trends and innovations in AI and digital transformation.
- ▶ Learn how these advancements are reshaping the financial services landscape, improving operational efficiencies, and enhancing client experiences.
- ▶ For more on governing AI, check out Mike Plantinga, and Michael Demissie alongside François Gaudreau of KPMG at the recent CIBC Mellon x Microsoft Innovation Showcase. Check out this and other talks on demand on our [BrightTalk channel](#).
- ▶ Contact your CIBC Mellon client manager if you are interested in attending our 2025 events.



REGULATORY DEVELOPMENTS

6



REGULATORY DEVELOPMENTS

BANKS AND INSURERS FACE FRESH REGULATORY HURDLES

The regulatory landscape is in the grip of upheaval as firms grapple with a raft of new financial and environmental reporting requirements. Against this background, stories of “reporting fatigue” and employee burnout are rife as companies work to satisfy the demands of regulators, investors, and ratings agencies.

By far the most significant legal or regulatory change that respondents expect to impact their firms over the coming 3-5 years is the development of new International Financial Reporting Standards (IFRS). This accrues 48% of first-choice votes, more than two times more than the next most popular answer option in our study.

REACHING FOR NEW STANDARDS

IFRS-17 (which is relevant to insurers) came into effect in January 2023. Meanwhile, a new standard to improve the structure and content of primary financial statements — IFRS-18 — will come into effect from January 2027 along with IFRS-19, which deals with disclosure requirements.

“The new IFRS will impact the compliance management format,” expects the senior vice president and treasurer of a bank. “We have been discussing ways to deal with the complexities in the regulatory environment. It has become more important to hire external expertise.”

All of this comes at considerable expense, a point highlighted by the sales director of an insurer: “Since there will be transition costs involved in managing these latest regulatory changes, it will impact the firm. The additional costs of consulting with experts and also upgrading software solutions are higher than expected.”

Complexity will only increase as financial and environmental reporting become ever-more closely entwined — a trend underlined by the creation of the International Sustainability Standards Board (ISSB), which is developing sustainability-related reporting standards under the aegis of the IFRS. “The frequent changes in IFRS can be a big challenge,” says the chief operating officer of an insurer. “They contribute to the business and compliance environment becoming more unstable over a period of time. Considerable changes in the reporting functions are expected.”

The International Sustainability Standards Board has published Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures proposing general requirements for an entity to disclose sustainability-related financial information about its sustainability related risks and opportunities.

IFRS S1: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>



IFRS S2: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>



OSFI STANDARDS

Turning from international to national regulations, the second most mentioned legal / regulatory change impacting survey respondents' firms in the medium term is expected to be the introduction of new standards by Canada's financial watchdog, the Office of the Superintendent of Financial Institutions (OSFI). This is cited by nearly one in five (18%) respondents.

"New OSFI standards will impact planning to meet regulations. The setting of new policies and procedures internally can be overly-complex, especially when we are short on financial resources," says the investments director of an insurer.

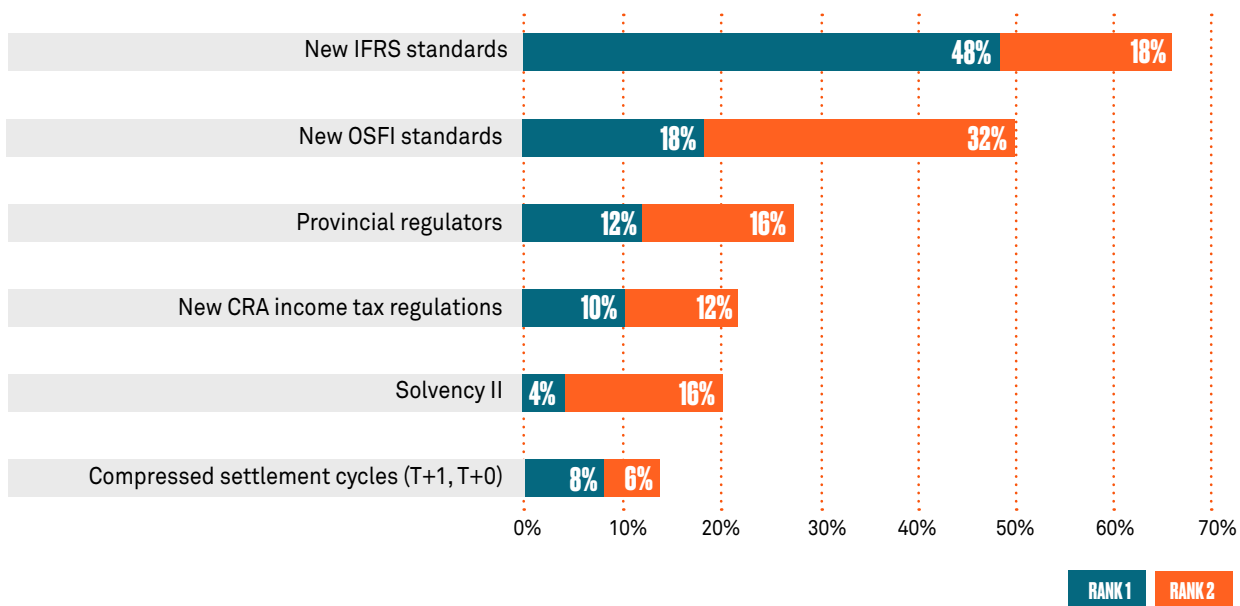
PROVINCIAL STANDARDS

Staying with national rules, another factor highlighted by respondents is the role played by Canada's increasingly influential provincial regulators. This is cited by 12% as being the most significant legal or regulatory change that respondents expect to impact their businesses over the coming 3-5 years. "Provincial regulators will have an impact on the firm," says the sales director of a bank. "There is increasing responsibility on these regulators to oversee compliance. There may be greater interference in business activities from their end."

Solvency II and compressed settlement cycles – the shift to T+1 in Canada took place in May 2024 — generated only single-figure responses among our survey participants, although some did express concern about the latter. "Compressed settlement cycles will change investment potential and strategies," says the president of a bank. "If the execution timeframe is not consistent and aligned with our planning, it will disrupt opportunities."

What do you expect to be the most significant legal or regulatory changes that will impact your firm over the next 3-5 years?

Select top two and rank 1-2, where 1 = most impactful.





THE OPERATING EDGE

TALENT

7



TALENT

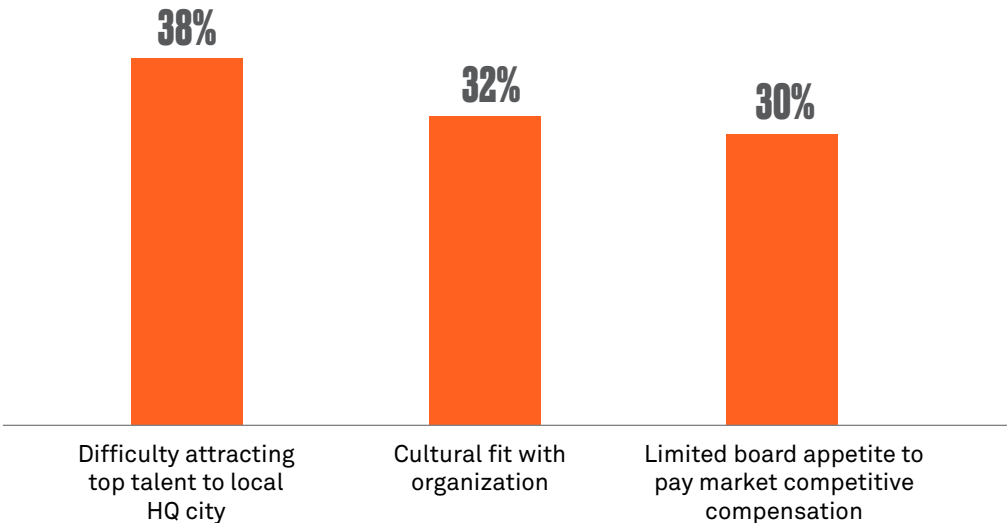
THE BATTLE FOR TOP PERFORMING TALENT RAGES ON

Talent is one of the most crucial factors in a business and operating edge for successful banks and insurers. But recruiting the brightest and best is now a major challenge, particularly when it comes to acquiring technological skills. Businesses of all types — not just those in the financial services sector — are competing for the same scarce tech talent, from programmers to data scientists.

The value of tech cannot be overestimated as firms look to optimise their use of data and transform the customer experience. “In the last year, we expanded our in-house technology teams,” says the chief operating officer of a bank. “We considered the additional value that they bring to the organization with their expertise and experience in tech developments.”

Hiring and retaining people with tech skills is no easy task. To further complicate matters, the current generation of tech-savvy employees places a premium on flexibility such as remote work. That said, there are signs that the newest classes of graduates (Gen Z) who experienced the pandemic remote world disruption to their post-secondary education may have a fresh appetite to return to the office.

What is the top challenge you face to recruiting and retaining in-house expertise? Select one.



PULLING TALENT IN

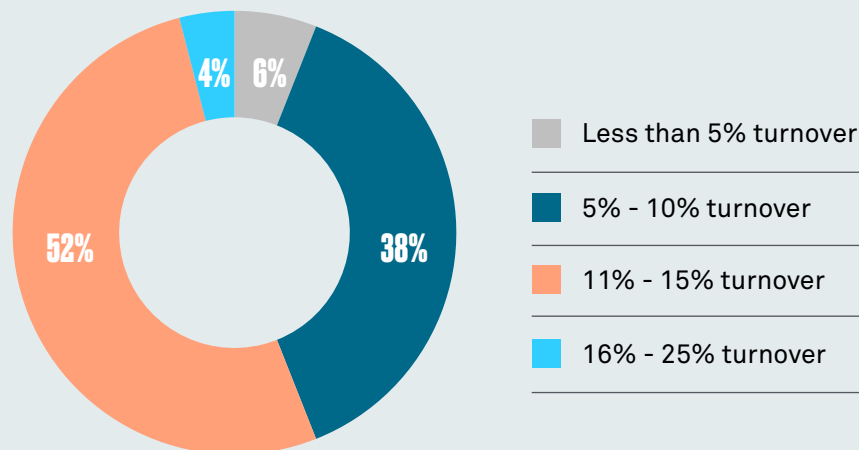
Against this backdrop, our study shows that the biggest challenge organizations face when recruiting / retaining in-house expertise is difficulty attracting top talent to their local HQ city, which is cited by 38% of respondents. Survey participants headquartered in Alberta, Manitoba, Quebec, and Saskatchewan also said this was their biggest challenge. While it might be tempting to point at Toronto as a global hub of finance and technology, the difficulty of talent attraction and retention extended to Canada's largest city as well: of those respondents who said that difficulty attracting top talent to their local HQ city was the biggest challenge, over half are headquartered in Toronto or nearby cities in Ontario. Perhaps this is a nod to the global pull of Silicon Valley, New York, London and other global finance and technology hubs at attracting and retaining talent from all over the world — though rising affordability and housing challenges in the Toronto area may also play an increasing factor in the difficulty and cost of attracting talent.

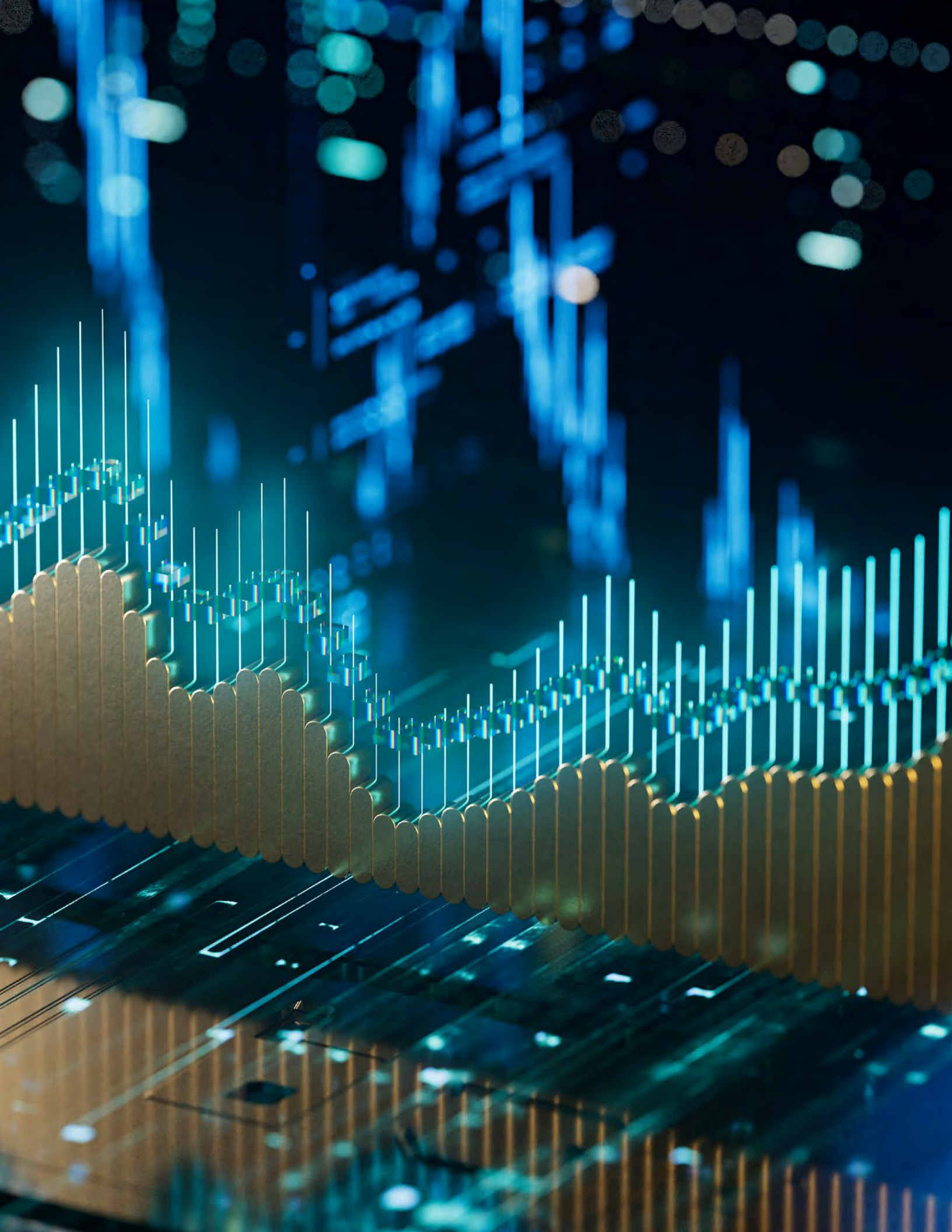
Culture is another major factor when it comes to hiring. This is a multi-dimensional topic that embraces everything from working culture (including the potential for flexible working) to corporate purpose — whether the company seen as a force for good. The gap between what employees expect and what firms are able to offer is increasingly tricky to bridge. As a result, nearly a third (32%) of respondents think that cultural fit with the organization is their top recruiting and retention challenge.

Pay is also highlighted as an obstacle as far as recruitment and talent retention is concerned, with 30% of respondents saying that limited board appetite to pay market-competitive compensation is their primary challenge. This is understandable given sharp pay rises in the wake of the pandemic and the pressures facing boards to rein-in spiralling costs. While there are some sector-specific trends in play (insurers have particular difficulties recruiting) the reality is that skills shortages are not unique to the financial services sector, and they are likely to persist for some time to come.

These challenges are compounded by high levels of churn. To put this in context, more than half of respondents (52%) report that their average workforce turnover over the past year was between 11%-15%. The constant need for workforce replenishment is generating significant costs and — for some organizations — raising serious questions about long-term sustainability.

What was your average workforce turnover over the past year? Select one.





THE OPERATING EDGE

EVOLVING CLIENT EXPECTATIONS

8



EVOLVING CLIENT EXPECTATIONS

TECHNOLOGY IS RESHAPING THE CUSTOMER EXPERIENCE

Banks and insurers have a long history when it comes to IT. Indeed, in the 1950s, they pioneered the first commercial computing applications. Despite this trailblazing heritage, the centre of gravity has shifted in recent years, with fintechs and insurtechs seizing the high ground. What sets these disruptors apart is their relentless focus on the digital customer experience — something that traditional financial services firms can find hard to match.

Getting closer to the customer is a priority for both banks and insurers. Technology holds the key. First, there is a need to boost operational efficiency with new technology — a huge challenge for firms encumbered with legacy systems that cannot easily be changed. Second, and equally important, is the need for mobile apps, platforms, and websites that ease every step of the customer journey.

Our study shows that respondents are well aware of the tools necessary to boost the appeal of their client services offering. Delving into the detail, the largest share (32%) say they are introducing new technology to increase the efficiency of operations in critical areas, such as routing enquiries and assessing claims.

While back-office enhancements of this sort are not, unlike apps and platforms, immediately visible to end customers, the benefits are nonetheless tangible — particularly in terms of speed. “The process of assessing claims can be quite tedious and time-consuming if done manually. However, advances in technology enable faster processing,” says the head of sales at an insurer.

Banks, too, are keen to boost the performance of their back-office operations. Respondents highlight various win-win situations. “Since clients prefer faster problem resolution and claim management, introducing new technology is the best approach to meet their expectations. It increases our efficiency and client satisfaction levels are also impacted positively,” says the senior vice president of a bank.

CUSTOMERS AT THE CENTRE: EXPERIENCE MATTERS MOST

Faster and more efficient internal processes mean happier customers (and shareholders). That said, back-office enhancements on their own have finite potential when it comes to driving customer value. Just as important is the need to invest in the user journey — in other words, in the digital dashboards and interfaces used to access products and services. Aside from making life easier for customers, a well-designed user interface opens opportunities for upselling and cross-selling.

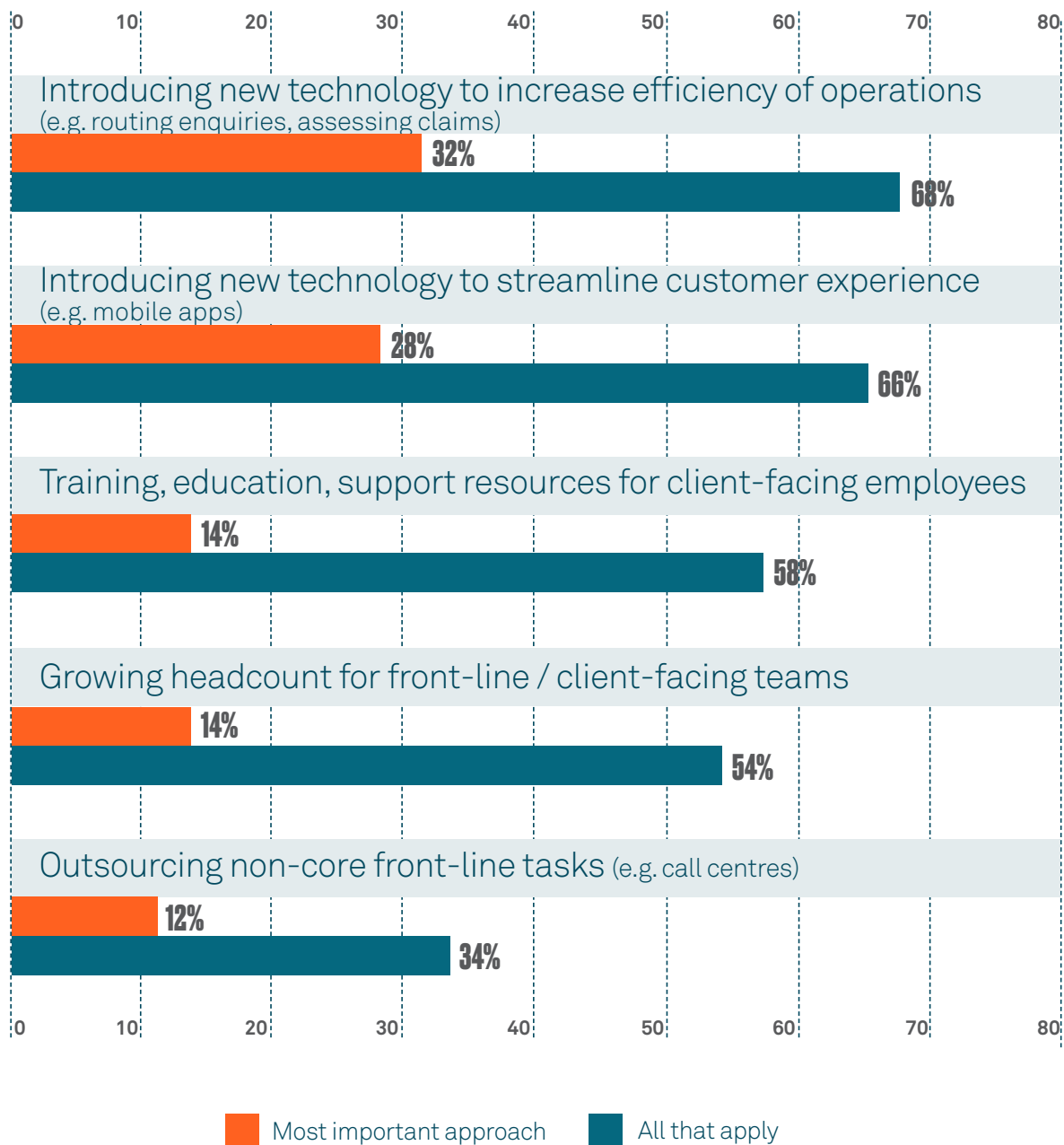
Our study shows that a significant proportion of respondents are focusing on precisely this area, with 28% (the second-highest share) reporting that they are introducing new technology such as mobile apps in order to streamline the customer experience. “Introducing new technology has renewed the customer experience,” confirms the vice president of sales at an insurer. “If we have to compete with new market entrants, new technology is the right path. It increases the appeal of our services.”

Ultimately, the success of new client-centric technology hinges on providing customers with tools that are quick and easy to use. “Mobile app developments have become crucial to retain customers,” emphasizes the vice president and treasurer of a bank. “Customers want faster services that can be completed with a few clicks, rather than traditional and more cumbersome banking procedures.”

Interestingly, respondents are somewhat less focused on training, education, and support for client-facing employees. This is seen as the most important approach to the evolution of client services by only 14% — despite the fact that technological evolutions such as AI present a golden opportunity to reallocate human advisors to focus on other areas of the customer experience — a move that would require a significant training input.

How is your organization evolving its approach to client services?

Select all that apply.





DIVERSITY, EQUITY AND INCLUSION

9



DIVERSITY, EQUITY AND INCLUSION

DIVERSITY IS SEEN AS A PERFORMANCE DRIVER

The thesis of incorporating diversity, equity and inclusion (DEI) measures in the workplace is that firms will reap benefits across multiple fronts, including recruitment, retention and client services — which in turn will drive stronger financial performance. For example, in terms of workforce motivation: employees who are valued and respected are likely to be more engaged and productive. In terms of recruitment, the idea is that public DEI commitments help recruitment by broadening the pool of candidates that are attracted to the firm. DEI proponents also suggest that when companies have employees that come from more diverse backgrounds, their different individual expertise, experiences, and perspectives can help firms come up with new ideas or better identify risks.

In addition, diversity can help firms to forge a competitive advantage. When organizations mirror and understand the diverse markets that they serve, the end result is products and services that better reflect the needs of end customers. This is a key consideration in Canada, which is home to almost 40m people representing more than 450 different ethnic and cultural origins — making it one of the most diverse countries on earth.

One of the big challenges around DEI in financial services as in many other industries is that good intentions are often not matched by delivery. Measures can be reactionary, rather than proactive. Beyond satisfying legal requirements — in Canada, these include obligations under the Employment Equity Act and the Canadian Human Rights Act, as well as provincial legislation such as Ontario's Employment Standards Act — many firms' goals remain aspirational or thematic rather than focused on concrete measures. In terms of strategic alignment and systemic opportunities, this creates challenges in terms of quantitative measures most directly aligned to profitability and other measurable business outcomes.

Into 2025 (following the primary data collection of this study), the discourse on the diversity initiatives and DEI shifted substantially in the United States with the election of Donald Trump. Early actions — both legislative and in terms of public statements — saw the Trump administration take rapid action against DEI initiatives.

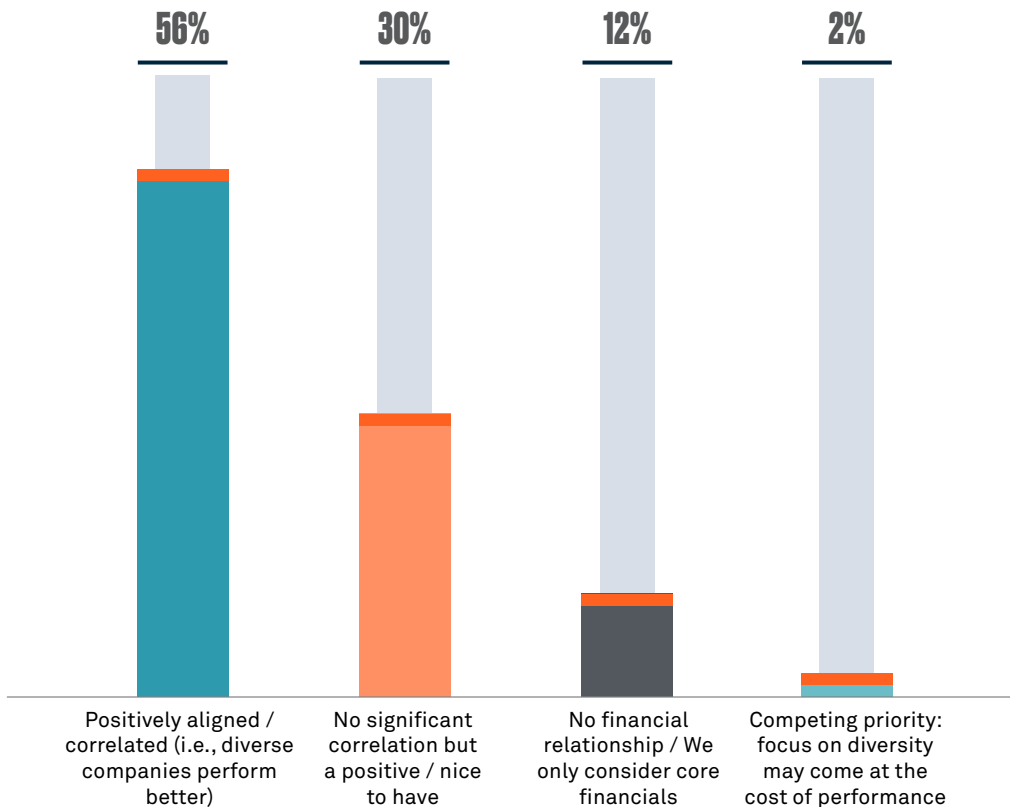
The implications for Canadian firms from the Trump administration are as significant as they are as yet unknown, both in terms of their ability to do business with the world's largest market as well as whether the policy and public discourse shift against DEI will find footing among Canadian businesses and politicians.

Consensus on terminology is by no means full: some DEI practitioners and clients made reference to Diversity and Inclusion, to EDI (i.e. placing equity ahead of diversity) or JEDI – Justice, Equity, Diversity and Inclusion.

Nonetheless, at the time of our study in H2 2024, Canadian banks and insurers reported high and positive conviction around DEI initiatives. In our study, a majority of respondents said that diverse companies perform better financially. Delving into the detail, more than half (56%) believe that there is a positive correlation between financial performance and the incorporation of DEI considerations in their investment decisions. Meanwhile, just under a third (30%) do not see any significant correlation between DEI and financial performance, but nonetheless believe that incorporating DEI is positive for their organization.

While DEI measures are seen in a affirmative light by most respondents, a minority of banks and insurers remain to be convinced. Around one in seven respondents are skeptical about the benefits of DEI, with 14% saying that they only consider core financials and that there is no relationship between financial performance and the incorporation of DEI factors in their investment decisions. Only a tiny fraction (2%) said that focusing on diversity may come at the cost of performance.

How does your firm view the relationship between financial performance and incorporating diversity, equity and inclusion (DEI) matters in investment decisions? Select one.





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SUSTAINABILITY AND CLIMATE

10



SUSTAINABILITY AND CLIMATE

CLIMATE-RELATED GOVERNANCE IN FOCUS FOR BANKS AND INSURERS

When it comes to managing climate risk, our study shows that banks and insurers are taking an increasingly proactive stance. All respondents acknowledge the need to take climate-related risk into account, including measures to mitigate both the climate impacts of their investments and those of their own internal operations. That said, some respondents suggest that financial constraints have delayed the implementation of ESG policies.

Respondents cite a number of distinct elements in their approaches to climate risk management. Among them are the use of climate-related metrics, due diligence to avoid investing in carbon-intensive assets directly (including upgraded ESG due diligence), collaboration with external stakeholders (including regulators), comprehensive reporting and disclosures, the use of technology to calculate environmental impacts, and regular scrutiny of currently held assets. “Portfolio reviews are being conducted more frequently to gauge if there is an increase in climate change risks in the near-term,” says the head of sales at an insurance company.

In some cases, policies and procedures are set out in a dedicated climate risk strategy. However, the cross-cutting nature of the challenge means that, in practice, these are more likely to be added to existing strategic frameworks. “Our governance, risk management, and business strategies were updated in line with our climate goals,” says the vice president of operations at an insurer.

Whichever approach is taken, transparency and company-wide communication of methods and objectives are of critical importance. “Our climate action plan has been made clear to all divisions within the organization,” says the vice president of investments at one of Canada’s biggest banks. “Reduction in carbon emissions in operations requires dynamic planning and preparing for future changes, which we have initiated systematically.”



Our climate action plan has been made clear to all divisions within the organization. Reduction in carbon emissions in operations requires dynamic planning and preparing for future changes, which we have initiated systematically.”

Vice President
Investments,
Canadian Bank



Organizations have been prioritizing ESG considerations, focusing on areas such as climate risk, sustainable operations, and community engagement. These efforts reflect a recognition of the importance of long-term resilience.”

CYNTHIA SHAW-PEREIRA
Vice President
Asset Owner Segment Head
CIBC Mellon



STRATEGIC OUTCOMES

First and foremost, an organization’s sustainability strategy provides guidance on investment allocations and corporate acquisitions that institutions consider. “Our investments have been redirected towards sustainable assets. Investments in sustainable agriculture and real estate are planned,” says the vice president of sales at a bank.

Equally important is clarity on decisions about where or where not to invest. “Direct investments into oil and gas, and exploration activities, have been avoided,” says the vice president of investments at a bank. “We are also monitoring the companies that might be indirectly financed using our funds.”

Respondents are also scrutinising their own day-to-day operations. “We are incorporating climate risk analysis in our decisions to invest and also our internal practices,” says the director of sales at a bank. “Energy and water conservation, the use of paper, and travel emissions have all been taken into account.” Meanwhile, several respondents point to engagements in the wider community, including charitable work in areas such as climate change preparation.

As with many other areas of the industry, in terms of challenges around climate risk management, one of the biggest hurdles is data, which can be limited and hard to reach. “There have been a few challenges in reducing Scope 3 emissions, mainly due to the lack of appropriate data when it comes to partners at the end of the supply chain,” says the chief operating officer of a bank. Macroeconomic and geopolitical factors — including inflationary pressures and uncertainties in the business environment — have also inhibited sustainability initiatives.

Climate risk management is a complex area, and several respondents highlight the value of bringing in outside expertise. “We took proactive action to limit our carbon emission levels and we’ve also enlisted the assistance of external personnel with more clarity on these topics,” says the regional vice president of a bank. “They’ve helped us reduce emissions methodically.”



THE ROAD AHEAD

11



THE ROAD AHEAD

TECHNOLOGICAL INNOVATION AND INTEREST RATE CHANGES ARE FACTORS TO WATCH

Asked to identify the most significant trends in the Canadian financial services space over the next three years, technological innovation stands out as the most important in our study. More than a quarter (26%) of respondents see this as the top factor shaping the immediate future of the sector, with a further 26% highlighting it as the second most important.

Looking at how tech innovation is expected to impact financial services, several respondents point to the scope for better decision-making. “Technology innovations will drive allocations and decisions in the financial services space. Investment decisions will largely depend on the use of data and analysis capabilities within organizations,” says the sales director of an insurer.

In terms of specific technologies, respondents point to data management, analytics, reporting, and AI tools as being among the most significant. On top of this, tech is expected to boost the growth and client acquisition prospects of firms. “Organizations with the most technology scope will be attractive to clients,” says the senior vice president of a bank.

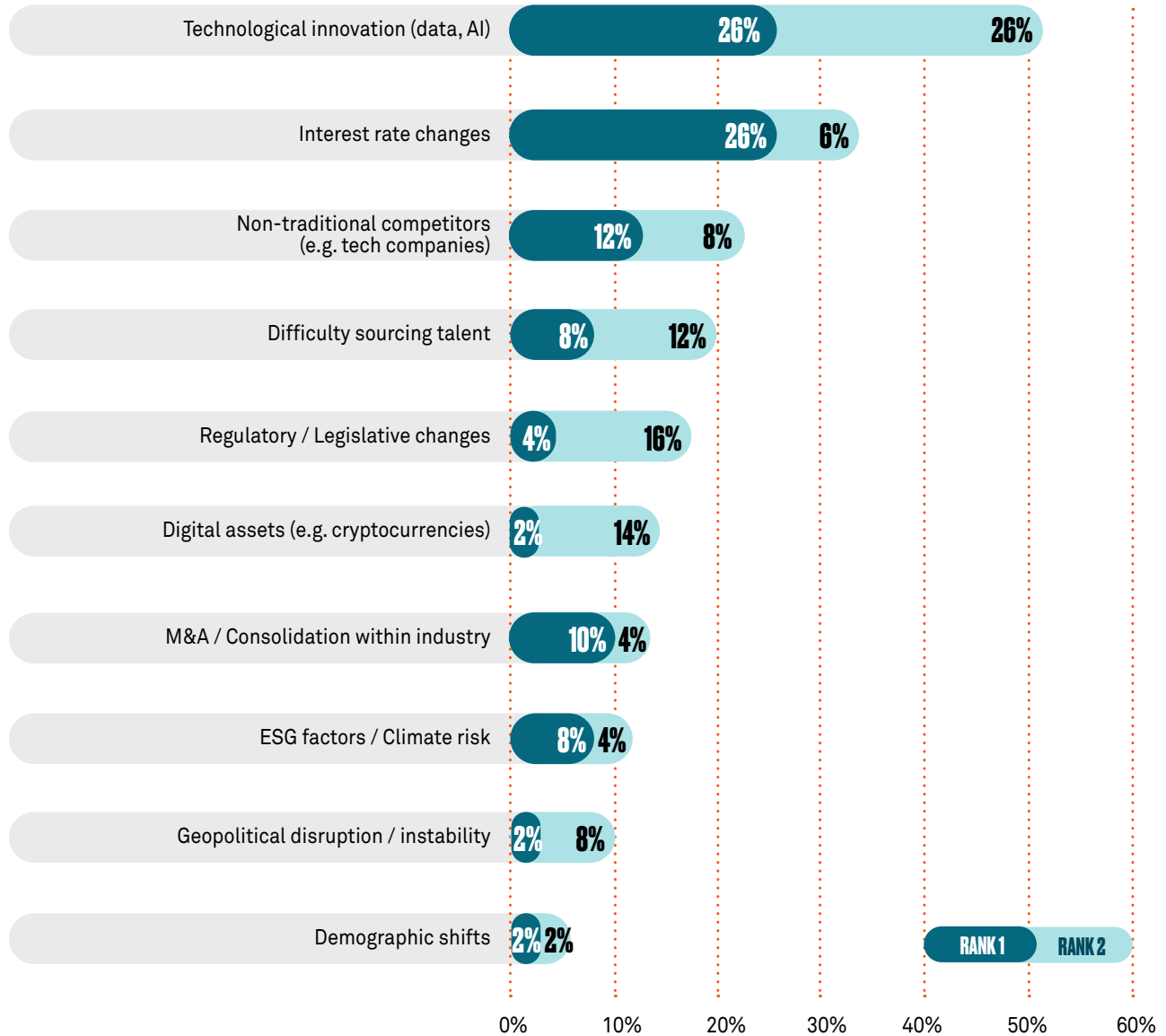
Interest rate changes are ranked as the second-most important future factor, garnering 26% of first-place selections and 6% of secondary votes. Pandemic-era rate hikes spelled the end of zero interest rate policies, and uncertainty about the direction of travel for interest rates continues to weigh on markets. “Interest rate change will be a significant trend in the next three years,” predicts the regional vice president of investment at an insurer. “It has already shaped financial restructuring, resilience levels and the planning of companies in the sector.”

The rise of non-traditional competitors, especially tech companies, is also expected to be a noteworthy trend and attracts the third-highest share of first-place votes (12%). “The increase in non-traditional competitors will be a risk for traditional players in Canadian markets,” says the vice president of sales of an insurer. “Technology companies are focused on faster growth, and they are willing to invest for higher revenues in the short-term.”

Among the most significant trends in the Canadian financial services space over the next three years, technological innovation stands out as the most important in our study.

What will be the most significant trends in the Canadian financial services space over the next three years?

Select top two and rank 1-2, where 1 = most important.



THE ROAD AHEAD

In an open-ended question, survey participants were asked to identify what they believe will be the main differences between how the Canadian insurance space looks today and how it will look in 10 years' time. Technology, again, stands out as the area that most respondents expect to be significantly different, with automation and AI the most frequently mentioned topics. "The extent of AI adoption in companies will determine their profit-generating capabilities. Companies that are not well prepared will fail to grow," says the vice president of investments at an insurer.

Against this backdrop, firms with access to the best data are expected to seize the competitive high ground. "Risk management practices will change," believes the director of customer experience and operations at an insurer. "There are companies who are willing to increase their risk exposure because they have access to strong data sets. They can make these decisions with more clarity."

Improvements in operational efficiency are eagerly anticipated. One area in particular that is expected to benefit from technology is claims handling. "Time-consuming processes will be automated by insurance providers — the claims settlement process will be transformed due to the use of technology," predicts the chief operating officer of a bank, who also expects to see an uptick in inorganic growth in the next decade.

Sustainability is also expected to become much more prominent as the journey to net zero accelerates — particularly if the funding environment improves. "The main difference will be the emphasis on ESG policies and stronger framework requirements in the next 10 years. Companies have been delaying implementation of ESG policies due to financial constraints," says the vice president of operations at an insurer.

Outsourcing is expected to be a bigger feature of both the insurance and banking landscapes in the next decade as organizations look to rein-in costs and manage soaring complexity. "The use of outsourcing partners will increase," says the sales director of a bank. "Outsourcing partners have started providing more comprehensive services to cover the needs of insurance companies. These trends will be more popular over the next 10 years."



Time-consuming processes will be automated by insurance providers – the claims settlement process will be transformed due to the use of technology.”

Chief Operating Officer
Bank



“

Operational transformation has become more crucial than ever. As organizations across the sector adapt their operating models, achieving a balance between flexibility and resilience is key. Banks and insurers are increasingly exploring innovative approaches to unlock scale, efficiency, and value while navigating challenges that require bold thinking and decisive action.”

RON LANDRY

Vice President
Head of Segment Solutions and
Canadian ETF Services
CIBC Mellon



Collaborations of all types are expected to flourish in the decade ahead, with respondents forecasting much greater reliance on collaborative ventures than has traditionally been the case.



Businesses will be open to strategic partnership opportunities – especially to cope with the challenges in the competitive environment,”

Director of Sales
Insurance Company

A MESSAGE FROM OUR CEO:

NOW IS THE TIME



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CHIEF EXECUTIVE OFFICER
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“

We have the global scale, the resources, and access to differentiating technology to help our clients.”

MAL CULLEN
Chief Executive Officer
CIBC Mellon

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