

# Press Release



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## **BNY Mellon Asset Servicing research on Nordic institutions highlights operational challenges and opportunities**

LONDON, June 13, 2008 – New research published by BNY Mellon Asset Servicing, the global leader in securities servicing, has found that many institutions are ill-prepared for the increase in complexity and transactional volumes that can be expected in the next few years.

The research – published today as *'Inside the Engine Room'*, the latest in The Bank of New York Mellon's 'Innovation Series' of industry White Papers and studies – also highlights the mitigation of operational risk, the emergence of new products and instruments, and the retention of talent as key priorities for Nordic firms going forward.

BNY Mellon's goal was to capture and crystallise the views of leading Nordic institutions on the operational issues they face in today's fast evolving marketplace.

In early 2008, BNY Mellon conducted a research effort aimed at assessing the challenges and opportunities in middle and back offices of leading Nordic institutions. As part of this effort, BNY Mellon commissioned McKinsey & Company to interview 25 asset management arms of leading pension funds and insurers.

These individual firms typically hold EUR20-25 billion in assets; collectively they account for over EUR560 billion in assets.

The White Paper's six key findings are as follows:

- The reduction of operational risk and support for new products and/or instruments are key priorities for the middle and back office. Cost reduction, improved client service and generating additional revenues are seen as less pressing concerns
- The biggest challenges for the middle and back office are attracting and retaining talent and managing the technology landscape
- To date, the focus in operations has been predominantly on building rather than 'optimising' middle and back office processes. Consequently many institutions are ill prepared for the simultaneous increase in complexity and volumes that can be expected in the next few years
- Despite the focus on addressing the technology challenge through automation, many companies have not achieved 'best practice', and underestimate the opportunity for improvement in this area
- Across technology and operations, most institutions are still learning how to use and manage third-party partners effectively; this limits the extent to which they can leverage external resources to address the challenges in the middle and back office
- The middle and back office is often quite well integrated with the front office, enabling the two sides to work well together

The White Paper states that Nordic institutions should look to leverage their existing strengths by reinforcing close linkages with the front office, and by coordinating more closely with peers to address the key challenges surrounding technology, for instance via more effective user groups for key technology suppliers.

All information and figures source Mellon International unless otherwise stated as at 31 March 2008. This press release is issued by Mellon International Limited to members of the financial press and media.

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In addition to developing strategies for handling complex instruments, they must continue to remain nimble and flexible through the use of automation and selective outsourcing, and take a more systematic approach to address the war for talent.

The White Paper also offers suggestions for 'automation excellence' that will serve as a best-practice blueprint for organisations looking to benchmark existing capabilities and processes.

Sid Newby, Head of Nordic Business Development at BNY Mellon Asset Servicing, said: "Our research validates the prevailing view that in general Nordic institutions are efficient in many back and middle office areas, managing high asset values and transactional volumes with relatively low staff numbers.

"That said, it also suggests that the next evolutionary phase will entail a keener focus on operational risk, as they balance front office innovation with robust risk management controls within the back and middle office. There will also be a demand for greater transparency across a broader investment and collateral universe, coupled with a push towards higher levels of automation and a daily environment in terms of accounting, risk and performance, which will collectively drive new product development and industry initiatives."

Nadine Chakar, Head of EMEA at BNY Mellon Asset Servicing, said: "In conducting this research we have worked with leading institutions to provide fresh insights into current industry thinking in the region, enabling us to step up our efforts to influence the evolution of industry standards and best practice for the benefit of underlying investors.

"The Nordics has always been a key region for BNY Mellon, and we remain committed to enhancing our understanding of the priorities and pressures that are shaping our clients' needs, and so ensure that we are in the strongest possible position to assist them in what is an increasingly complex and competitive business environment."

A copy of the White Paper can be found at :

<http://www.bnymellon.com/news/commentaries/assetservicing.html>

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## Notes to editors

BNY Mellon Asset Servicing offers clients worldwide a broad spectrum of specialised asset servicing capabilities, including custody and fund services, securities lending, performance and analytics, and execution services. BNY Mellon Asset Servicing provides services through The Bank of New York, Mellon Bank, N.A. and other related companies.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than \$23 trillion in assets under custody and administration, more than \$1.1 trillion in assets under management and services \$12 trillion in outstanding debt. Additional information is available at [bnymellon.com](http://bnymellon.com).

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