

Q&A

The Next Generation of Outsourcing: A Focus on the Future with BNY Mellon Industry Leaders

Two leaders in the outsourcing industry—**Paul Gately**, Head of Global Outsourcing, Global Financial Institutions at BNY Mellon, and **John Lehner**, President and Chief Executive Officer of Eagle Investment Systems and Head of BNY Mellon Global Outsourcing Services, Asset Servicing Division—provide their views on trends in outsourcing middle- and back-office functions.

Q. Let's start with the increase in industry regulations in the investment industry. Is this driving investment firms to consider outsourcing?

GATELY: Absolutely. Some of the discussions start out with, "Can you help us with reporting and the processes of getting those reports to regulators?" But then the conversations turn to questions about the sourcing of data, which is at the hub of these issues. The complexity of managing different sources of data, and then augmenting that with additional data streams, is really time consuming.

Q. With clients under more pressure due to the industry's regulatory demands, how is BNY Mellon anticipating those needs?

GATELY: There are two dimensions to this. BNY Mellon has been investing in specific regulatory reporting services, such as handling ERISA Form 5500 reports, 13f and 13g, and other various regulatory reporting for hedge funds.

However, what really differentiates BNY Mellon is our ability to offer more complex analytic solutions through our front office services group, which we launched in the last 12 months. The service helps clients build a data warehouse, and manage and consolidate data from various sources from within BNY Mellon and from external parties. We are able to provide operational support

and insight into how that data is used in a client's front office, as well as in other operational units of an investment manager. The front office services group offers our clients a more holistic solution to data management.

LEHNER: It's also important to mention the degree to which problems vary according to the firm and the regions they serve. It's not a one-size-fits-all approach. BNY Mellon recognizes there are different degrees or levels of service and our clients might have demands unique to certain markets or jurisdictions.

Q. With investment companies seeking to stretch beyond their borders, how is that changing the client landscape?

GATELY: Clients are broadening into new geographies, starting new businesses in new locations, or launching new asset classes or product types. Some are going into new distribution channels. We're looking at how we can best support the classic profile of a global manager.

Q. What are the key decision points for a company's move to outsource asset servicing?

GATELY: There's an increased awareness of the need for an Investment Book of Records (IBOR) view of the investment management world. Our clients are focused on the need for

transparency. As they expand into multiple geographies—and may have a number of partners in different geographic regions—they need to maintain a true Investment Book of Records internally. That provides transparency in their decision-making processes and, in some cases, satisfies regulators.

LEHNER: An Investment Book of Records is necessary to make management and risk decisions, since it includes information on a portfolio's positions as well as market activities such as corporate actions, dividends and corporate payments.

Managers once felt they had to run the process themselves, but in the last 12 to 18 months, more are reconsidering the do-it-alone premise.

GATELY: This need is becoming pervasive in the industry. We would regularly have discussions with medium-sized managers, but now we're having a number of discussions with very large asset management firms, some with an excess of \$100 billion in assets.

Q. What are the most pressing challenges now emerging for your clients?

GATELY: The challenges are largely around transformation. Some clients have experienced significant growth; one client has doubled its assets in the last 12 months and is now well over \$50 billion. Other clients are very acquisitive, which may trigger a need for our services because as a result they've moved into new asset classes or new distribution channels.

Our clients and prospects are looking for a service provider who can assist them in managing that transformation.

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Q. Looking at future developments from BNY Mellon, what types of innovation and new services are you developing to respond to your clients' needs?

GATELY: We're aware of our clients' need for transparency and oversight. We're continuing to invest in toolkits we call "dashboards."

Data will be a continued area of focus, and we've started some initiatives in data management with our front office services group.

Q. What are BNY Mellon's points of differentiation from its competitors?

GATELY: In the area of data management, we are truly differentiated and distinguished from our competitors. That point of difference rests on the underlying Eagle technology, which allows us to cost-effectively offer a data management product for our clients. We can provide them with their own implementation of a data warehouse, which is one of Eagle's industry-leading products.

Because it is our own product, we can provide additional services, such as our front office services group and our ability to integrate risk data. Our global capabilities also set us apart.

LEHNER: I like to use the analogy of how everyone thought the Earth was the center of the universe until Copernicus said, "No, it's heliocentric." That's how we see data. People once thought it was all about outsourcing their accounting, which is part of the challenge, but not the main issue.

Today, it's about understanding data as the center of a problem. For our clients, a lot of issues fall into place once they work with us.

Paul Gately

Head of Outsourcing, Global Financial Institutions BNY Mellon



As head of Outsourcing at BNY Mellon, Paul Gately brings 25 years of experience in global asset management and related businesses. He has a solid understanding of investment services across a broad range of asset classes for retail, institutional and high net worth investors, and expertise in developing and implementing business strategies in global financial services.

BNY Mellon provides an award winning spectrum of investment solutions from traditional software installation to full business outsourcing. The OnCore™ product is a data-centric solution that combines back office functions with middle office servicing across multiple books of business via a single platform. We draw upon innovative operational and technology expertise to service today's multi-layered outsourcing arrangements.

Mr. Gately holds a Bachelor of Commerce, Accounting and Information Systems from the University of New South Wales and is a member of the Institute of Chartered Accountants in Australia.

John J. Lehner

President and Chief Executive Officer, Eagle Investment Systems, Head of BNY Mellon Global Outsourcing, Segment Manager, BNY Mellon Asset Servicing, Global Financial Institutions



As president and CEO, John Lehner has more than 24 years of experience in the financial services technology industry with a unique background spanning both the buy and sell side. Mr. Lehner joined Eagle in 2000 with the initial goal of establishing Eagle's global sales and operations. Since that time his responsibilities have expanded and he has played a key role in developing and growing the other areas of the company. He was also instrumental in expanding the organization's presence across five continents.

Eagle is recognized as a world-class technology, solutions and services provider in the global investment management community for its dedication to innovation, service and industry expertise. Eagle's platform offers key components powering the BNY Mellon global middle-office outsourcing business.

At BNY Mellon, Mr. Lehner is responsible for the global middle-office outsourcing business and is also a segment manager responsible for a portion of the Americas clients for BNY Mellon's Global Financial Institutions.

Mr. Lehner holds a Bachelor of Arts degree in Asian Studies from Seton Hall University.

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