



How Shifting Investor Trends Are Driving the Evolution of Fund Services

Advanced technology drives faster data turnaround to support better investment decisions.

In an interview with Wall Street Journal Custom Content, BNY Mellon Global Head of Fund Services Alan Flanagan reveals how sweeping changes in the investing landscape are driving advances behind the scenes in the world of fund services. Flanagan oversees businesses that provide accounting, administration and recordkeeping services for nearly \$20 trillion in assets managed across mutual funds, hedge funds, private equity, ETFs and more. Thanks to its investments in technology, particularly its open-architecture BNY Mellon OMNISM platform, BNY Mellon is paving the way for asset managers to transform their business models and support a host of potential new products, from cryptocurrencies to ESG-focused strategies.

Q. What are some key market trends that are driving change in the fund-services business? What do those changes look like?

Alan Flanagan: Digital assets are transforming the world and becoming increasingly mainstream. Likewise, the digitization trend is having a big impact on the market and how we operate.

First and foremost, we are focused on enhancing and digitizing the entire client experience across BNY Mellon, delivering a suite of data solutions that can aggregate diverse sets of structured and unstructured data, which will

help reduce cost and increase transparency.

Second, our end-to-end solutions form a foundation that will streamline and simplify data management, create insights across the investment life cycle and empower better decision-making.

Third is the continued augmentation of our API [application programming interface] offerings, which are focused on the accessibility of data and enable technology integrations. We have a well established and robust API library that's used by both our clients and their respective third-party providers.

Q. What is BNY Mellon doing on the technology front? How has your own technology evolved?

Flanagan: We're making significant investments in our core proprietary technology that will further modernize our processing engines for new asset classes and new fund types as well as modularizing our platforms for better connectivity to our clients' operating models. In conjunction with our Data Vault, we're building the infrastructure and tools to deliver consolidated market information, which will enable more proprietary insights and seamless connectivity across various sources.

We've introduced cutting edge technology into what were once manual transactions, significantly reducing operational timeframes and helping to mitigate risk. These front-end applications help to process the incoming data traffic.

In addition, we're working to establish a more digital experience throughout the investment life cycle. We've developed machine learning-based capabilities within our operational centers for reconciliation, trade and deal matching and settlement, for example.

And we haven't stopped innovating: It's a continuum. We're looking at things like distributed ledger technologies and the role they might play in the future, particularly in our transfer agency space.

Q. How do these and other technological advances impact how investment managers go about their business?

Flanagan: Access to information is critical for clients and informs how they make investment decisions. Better technology drives the faster turnaround of information, to ensure that they make better, more informed choices.

One only has to think about real estate investing, where investment managers now have the ability to view satellite imagery of shopping malls and other properties, and get real-time validation of footfall before they invest. There are all sorts of ways technology is driving better and faster decisions for investors. In this fast-paced world, speed to market is key.

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Global Head of Fund Services, BNY Mellon

Q. How does the digitization trend impact investment managers, investors and your own business?

Flanagan: Digitization helps to create a more streamlined client experience for both the investment manager and the end investor. Investment managers can access much more real-time data, which improves investment decision-making as well as their ability to have oversight in terms of what’s happening.

End investors can benefit from the increased transparency into their investments. They want to understand their exposures so if something happens in the news, they’re able to quickly comprehend what impact it might have on their portfolio.

In our call center, we introduced a tool called Fraud Hub, which is a good example of how we’re using advanced technologies to address the pain points many of our clients are experiencing. We’ve also implemented a suite of fraud prevention tools, such as passive voice imaging combined with geolocational tracking, SMS text interfacing for transactions and IP address and behavioral biometrics, to help ensure that our clients’ assets remain safe.

Q. There’s growing interest in digital assets, including cryptocurrencies and non-fungible tokens (NFTs). What are you developing to support and grow that marketplace?

Flanagan: BNY Mellon sits at the intersection of trust and innovation. We are leveraging the trust we’ve developed in traditional markets over the course of more than two centuries and applying that experience to the world of cryptocurrencies—where I think trust has been the challenge. In addition, by being an innovator in the

digital asset space ourselves, we become a natural go-to institution for organizations developing these new investment products.

We’ve seen the greatest pace of change in the digital asset space in our ETF business. In Canada, we service all 13 cryptocurrency ETFs currently trading. In the U.S., BNY Mellon has been chosen as the ETF service provider on 6 of the 11 new digital asset ETF launches filed with the SEC, which are pending regulatory approval.

We are building the industry’s first multi-asset platform, designed to provide the same secure type of infrastructure and resilience that BNY Mellon has provided for traditional assets to the digital asset space. With interoperability between the two areas, we will have the ability to support traditional as well as digital assets for our clients.

Q. Looking ahead, what can clients expect in the coming years that will help them run better businesses, unlock value and improve investment performance?

Flanagan: We’re committed to delivering a digital and data-driven experience, because ultimately it will help simplify the business for our clients and allow them to better connect with their service providers, collaborators, third-party agents and end investors. That means improved agility and optionality, not to mention greater scalability and flexibility.

Once everything is digitized, technology will improve the investment decision-making process, which is where a fund-services provider can add value for clients.

As I look ahead, the one word that keeps coming to mind is “simplification.” We are on a journey to simplify the operating model and simplify our technology stack, which impacts how we deliver for clients.

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