

PODCAST SERIES

Episode 1: How Asset Owners are Adapting to a New Normal

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Hi, I'm Anders Reinertsen, and I lead the Asset Owner Business in the Americas at BNY Mellon.

BNY Mellon Rapid Insights is a series of short podcasts aimed at providing exclusive industry views and perspectives on the most pressing topics impacting asset owners to help you turn insights into opportunities and prepare for the future.

I'm honored to be joined today by our very own CEO of Security Services and Digital, Roman Regelman. Named Global Custodian's Industry Person of this year, Roman will be sharing his global observations and insights into the asset owner community and how asset owners are adapting to the new normal.

Welcome, Roman.

Roman Regelman

Thank you, Anders.

Anders Reinertsen

Roman, you meet with many clients across the globe. What are you hearing from asset owners? Any themes?

Roman Regelman

I mean, first of all, I absolutely have the privilege to travel the world and visit many of our clients in person, starting from sovereign wealth funds in Middle East, central banks in Asia, pension funds, multiple pension funds in Europe, and endowments in the US.

I hear that these clients universally recognize the reach of our offerings, our diverse and unique client base, and yet there are common concerns among these clients. They're focusing on the return objectives in this current investment environment. That's the absolute focus for them.

But I'm also hearing other challenges, and I will talk about the three issues that always come up.

Number one, how for them to be much more bold and more creative, what are the ways to enhance returns? It's exploring new asset classes, new products and investment strategies, and many asset owners are actually doing that.

But we're also seeing greater demand for securities lending to increase the yields.

And lastly, many of them are embracing some sort of ESG. The definition of that varies around the world, the focus varies around the world, but clients increasingly recognize the challenges that come with the lack of reliable transparent, and comparable ESG data.

That's theme one about returns.

The number two is about operations. They're constantly re-examining and often even redefining their operations. They're doing that across front, middle, and back offices. And I've seen many asset owners starting the process to transform their models. As they look to changing investor demand, their investment mandates, and their portfolio models, this becomes very critical.

And number three – and I've seen some asset owners already embrace that – the data must move to the core. As asset owners shift their investment strategies and really transforming their operating models, they universally see data as the foundation of the future. That means often integrating data across the whole value chain for better visibility across investment decisions and operations.

I said three, but there is one more, and I think that's a big one. The common theme is talent. The sourcing and retaining people with the required skill set. And the skill set is rapidly changing and the environment is changing. It's becoming critical. We're talking about data and digital skill set.

So, many asset owners are at an inflection point. Shifting investor demands, expanding mandates, evolving technology, they enable to go to different opportunities and to different models, but at the same time, it presents challenges. Universally, asset owners recognize that the wait-and-see approach is no longer sufficient.

Anders Reinertsen

Let's stay on the people for a minute. Like other organizations, BNY Mellon is focused on talent. What are some of the ways BNY Mellon is attracting and retaining talent?

Roman Regelman

First of all, you're exactly right. In this environment, cultivating talent and evolving our culture are absolutely strategic priorities. They underpin everything we do.

What I really think differentiates us from competitors is the quality of our people and the relationships. We really work hard to deepen our time. That's what we call "Trust". But we also want to promote innovation in everything we do, and that's why we are fostering the culture we can bring and attract new talent with a range of skills.

To do that, first of all, we support a hybrid work environment. We believe in innovation happening in the office, but we also believe in flexibility. Creating the right hybrid is an important thing for us. Providing tools, resources around everything the employee does, especially learning and development, it's critical. Not only early in the stage of your career, not only when you become a senior manager, it's every stage of the career.

And lastly, it's standing up meaningful people experience initiatives built for people.

Critically, it's fostering diverse, inclusive, and equitable culture. The culture needs to reflect what our clients expect of us, what the communities that we serve, and the communities our clients serve and foster this sense of belonging. It's both the right thing to do and a great business imperative.

For that, we broadened our recruiting efforts. We stood up very meaningful mentoring programs, and we have employee resource groups. I'm actually honored to sponsor one of them called Impact, focused on diversity and inclusiveness.

So, if I take the things that we do, I hope many of them would be quite similar to what our clients need to do, especially asset owners where the range of skills required significantly expanded and continues to expand in this environment. We all compete for talent, but we compete for talent not only with financial institutions, we compete for talent globally and across the industries. That's why my advice to asset owners would be to have robust, dedicated programs in place that attract, develop, and retain talent throughout the whole lifecycle.

Anders Reinertsen

I want to also follow up on the second theme you mentioned about asset owners recreating operating models. What are the primary challenges you see clients face as they embark on operational transformation?

Roman Regelman

First of all, as asset owners change their strategies and work very hard to stay ahead of the evolving market landscape, that's where they recognize the need to change their operating model. The operating model needs to support your investment strategies, it needs to support your allocations. As they change, the operating model needs to change.

To design the future operating model is a significant undertaking. Often, you have a history of doing things a certain way, but you need to recognize the landscape has shifted, the peers are not standing still, they are great benchmarks, and your people and your ecosystem helps you to define what the new "good" looks like.

Of course, there is an issue of resources, time, talent, and persistence. Persistence to execute. Do I believe that a service provider can help you guide transformation? I absolutely do. In fact, I think it's our mission to be the orchestrator for our clients, to support and future-proof – and I really mean future-proof – their operating models around choice, flexibility, and leveraging data as a competitive advantage.

The operating model of the future is a digital operating model. It needs to serve their needs today, and allow them to evolve at least over the next economic cycle.

Anders Reinertsen

One last question while we have you, Roman. Asset owners are showing more interest in digital assets, in tokenization, for example, as a powerful way to increase market liquidity and investment options. With your expertise in the digital assets space, would you share some insights? What are you most excited about?

Roman Regelman

I'm actually excited about digital assets, and I'm excited about the institutional nature of digital assets. Seeing something being introduced to the world, how people around the world respond and accept, but

doing that in a safe way, because innovation done in a safe and sound way creates very different results for the stakeholders.

We're starting to see acceptance around the world, and we see the mission of providing similar access to digital assets as we provide for traditional assets. It's a cornerstone of what we do.

If I mention to you the common themes today seen from asset owners, it's:

- Getting distributions from alternative managers in digital assets
- Converting them into the currency of choice, and vice versa, so, USD to stable coins or the other way around
- Actually, servicing stable coins
- And then tokenizing assets, real assets first, real estate, art, securities. Working with investment vehicles specifically designed for tokenized real estate and art.

These are the new asset classes that open new opportunities. And in this environment that we talked about, it could provide this extra edge. But servicing of that is the key. Providing the same real ability, the same trust across all the asset classes is universally a requirement. And I'm highlighting that as a requirement, it's not a preference, it's a requirement of everyone.

So, while digital assets provide access to all financial markets and create another path to meeting client needs, and helping them grow the business, a reliable secure infrastructure becomes even more important.

And that's what I think our mission is to really be a multi-asset class service provider. Multi-asset class means digital assets as well. And I would just encourage all asset owners to focus on a service provider that has vision and expertise, and helps them extend new offerings, but also provides trust, security, reliability, and connectivity across all asset classes.

Anders Reinertsen

Thank you, Roman, for your valuable insights. Indeed, asset owners are at a major inflection point. Shifting public expectations, expanding investment mandates, and evolving technology are driving asset owners to radically transform.

In the new future, asset owners will need to collaborate with world-class peers, providers, and other stakeholders in order to unlock opportunities, strengthen their operating models, and deliver on the promise to their people, communities, and countries they represent and serve.

BNY Mellon looks forward to continuing these collaborations as we jointly power individuals and institutions to succeed in the financial world.

On that note, thanks again for joining. I hope you enjoyed the conversation. And stay tuned for our next episode focusing on digital asset custody.

Roman Regelman

Thank you, Anders.

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