

## COMPANY NEWS

## Banks turning to managed services for operations

As digital transformation becomes critical to financial institutions, they are revisiting operating models.

Simon Byles, SmartStream

The Covid-19 pandemic has forced banks, brokers, and other financial institutions to transform digital “journeys” into critical services that must work today.

The global lockdown, social distancing and pressures on working remotely, all the while maintaining markets and levels of service at a time of heightened volatility and surging volumes, has challenged the industry like never before.

The good news is most financial institutions and their people have so far succeeded. From trading desks to operations, business has continued. The effort has been intense.

“Goldman Sachs has had 95% to 98% of its workforce globally working from home,” said Larissa Dudley, the firm’s COO of engineering for Asia Pacific, speaking at a [recent webinar](#) hosted by *DigFin*, ASIFMA and SmartStream Technologies. “It would have been mind-blowing if you had told me that in January.”

Chief operating and technology officers already faced demands going into 2020 around regulation, client service, risk management, liquidity, and cost pressures. Covid-19 added urgent business survival to the mix.

Technology and experienced management have saved the day for the financial services industry. “Virtual teams came into their own,” said Simon Byles, global head of business development for managed services at SmartStream. These continue to evolve in terms of capability and coverage, with new “must-dos” prompting digital solutioning initiatives to accelerate.

But the operating model looks ever more challenging. The industry will need time to sift through new regulatory and client needs in an economic environment that looks difficult for the coming 12 to 24 months.

Regulators were supportive during the crisis, insisting firms meet industry standards while allowing them to extend deadlines for mandatory market initiatives; once things settle, however, they will want to examine all facets of how firms are operating, as well as catch up on postponed inspections.

The industry must continue to cut costs, while fighting for market share, pushing innovation, and managing changing needs among employees, who themselves are adjusting to a new reality: not everyone loves the new BAU (or “business as *unusual*”, as Byles put it).

The sharp emergency phase is perhaps over but now market participants face huge questions about the future. Among them:

- Do firms need to continue investing in technology and people across the organization to further ensure resilience in the face of any scenario?
- Do all current in-house activities provide a competitive advantage in how firms serve our clients or drive revenue?
- Are firms differentiating themselves through back-office activities?
- Do there exist service providers that can help firms achieve sustainable excellence and “future-proof” back-office activities?

Byles says the current situation is forcing many to rewrite the scenarios for risk and operational continuity, with previously considered extreme or unlikely events now part of core business-continuity plans. This new focus on resilience will need perpetual planning, testing, and investment.

The same will go for leveraging technology such as artificial intelligence, machine learning and data analytics. “Those that have proven results will be the favorites in this race,” Byles said. “The risk of failing to deliver core operational activities will be even less palatable.” Keeping this activity cost efficient will encourage all firms to assess their fastest track to sustainable excellence, he said.

“Data analytics and A.I. are becoming ‘hygiene,’” said Olivier Dang, COO for the wholesale digital office at Nomura, speaking during the webinar. “It’s going to be hard to maintain market share and service client demands if you don’t have the tools for an electronic business.”

Byles suggests managed services and outsource partnerships will further grow in importance. Important back-office processes that rely on manual labor, but do not provide a true competitive advantage, “can be strategically served by a managed service, with its clear focus, expertise and ongoing investment,” he said.

In this environment, firms will need to consider providers of a managed service that are proven, both in terms of technology and service execution; whether such vendors view managed services as a core competence; and if they have a proven track record in continually investing in their capabilities, including leading the way in A.I. and machine learning.