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## The Securities Landscape Focusing on Retail Investor Behaviour

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### CONTEXT

The “Future of Securities Services” paper highlighted two forces that are changing the fundamental nature of Securities Services. They are Technological Change and Investor Behaviour Change. Our mission today is to dive deeply into the changes in investor behaviour and consider whether there is an industry response that requires collaboration or competition.

There are a number of levers that are causing Investor Behaviour to change:

1. **SHIFT TO PASSIVE AND ESG**

We expect continued growth in passive and ETF structures which will continue to

lower overall fees in the AM. This shift will subsequently lead to lower revenues and potentially lower margins in the Securities Services industry but could involve a higher number of transactions. This will lead to an acceleration in investments into ESG or sustainability linked products. Investors are now more aware of the susceptibility of certain sectors to macro risks and will consequently shift their portfolios to be less vulnerable to future macro risks, such as climate change. Securities Services can support this transition by providing increased transparency and reporting services for ESG.”

2. **SHIFT INTO DIGITAL AND ALTERNATIVE ASSETS**

A shift from public to private, fractionalisation and a shift to digital have far reaching consequences for the Capital Markets ecosystem, unprecedented shift from public into private and alternative assets. We expect this trend to continue in the future. We foresee that the growth in alternatives will expand to additional asset classes (e.g. infrastructure and natural resources). Fractionalisation and tokenisation will increase the fungibility and liquidity of alternative assets and fuel further growth. Digital Assets are experiencing increasing demand from investors.

3. **FINANCIAL DEEPENING AND GLOBALISATION**

The evolving and shifting distribution of wealth globally and levels of cross-border securities transactions are impacting the Capital Markets ecosystem. Growth in emerging markets, specifically in Asia and Latin America, will increase local savings and provide fuel for the growth of assets in the coming years. Developed markets investors will increasingly invest in EM, whilst EM investors will increasingly invest “at home” as local market infrastructure and capital markets develop.

4. **INCREASED ADOPTION OF NEW TECHNOLOGY**

New technologies are on the brink of moving from the experimentation to the adoption stage...More innovative technology has yet to be widely adopted and deployed at scale (e.g., DLT), but in theory, has the potential to disrupt core industry processes. But it is not just the adoption of technology by the industry but...

5. **INDUSTRY DISRUPTION BY BIG TECH**

...new entrants from the technology sector (including, but not limited to Big Tech) to enter Capital Markets and challenge incumbent business models as they have done in other sectors of the Financial Markets, either by launching services on their existing market platforms, making acquisitions, or by entering via partnerships with incumbents. Established Big Tech players could look to abruptly position themselves in the ecosystem, potentially by leveraging their existing interfaces already used by end-clients and investors as well as their technological leadership.

# Breakouts

## THE SECURITIES LANDSCAPE FOCUSING ON RETAIL INVESTOR BEHAVIOUR

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### A SAMPLE OF QUESTIONS FOR DISCUSSION

In addition to the forces we are seeing above, there are changing high profile elements of investor behaviour caused by other forces such as:

- a. Productive finance - post-pandemic government finances are challenged; how can it be made attractive for retail to finance deficit spending?
- b. Democratisation of assets for retail including Digital Assets – Robinhood to Bitcoin
- c. ESG – Carbon credits issuance and trading for Paris and COP26 targets

So how should the Securities Services industry react to these forces?

Do you see the impacts on Securities Services and believe that there are elements which we can work together to address?