ISSA International Securities Services Association

Is Technology Reducing Unit Costs and Improving Profitability?

CONTEXT

Cost income ratios at most Securities Servicers are not particularly improving across the ISSA members. This is partially due to margin compression and low net interest margins. However technology investment has been large in many cases and the costs have not fallen as far or as fast as owners would like.

The intent is to dive into 5 different levers available to the Securities Servicing market and add any others that have been missed and think about the impacts and opportunity of their use to either reduce the unit cost or improve profitability.

For each we suggest that a tour de table is taken with individuals describing their firms experiences of the techniques both good and bad. If we take the example of API's a very pessimist conversation may run along the lines of:

"APIs – Our firm has been able to provide real time reporting of settled positions to our clients which has provided a better level of service, unfortunately we have not been able to charge more for this capability, but we have reduced our client service costs by XXX as we get less queries. However we have not been able to reduce our batch processing costs as the clients still want an EOD statement. We can also see that different clients want the APIs to return slightly different data in slightly different formats, so I now have a team supporting API changes full time which increases my cost base by XXX-1."

This could be reversed for the optimists conversation ""APIs – Our firm has been able to provide real time reporting of settled positions to our clients which has provided a better level of service, and we have been able to charge more for this capability, and also we have reduced our client service costs by XXX as we get less queries. We have engaged significantly with the clients and also provide the EOD statement through the API and we have standardised the API with all our clients, so I now have a team supporting API changes but have reduced cost significantly elsewhere this decreases my cost base by XXX-XX."

What we want to understand is the experiences and learning that can be applied or avoided and whether there is a case for ISSA to help facilitate the best practises.

A SAMPLE OF QUESTIONS FOR DISCUSSION

Is there a set of best practices which could make a difference and improve the client experience?

The five predetermined topics are:

- APIs
- Cloud adoption (including cyber-proofing)
- Artificial intelligence
- Legacy decommissioning
- Data – use or revenue source

However, the group should also explore others they are aware of.