

SPECIAL INTEREST SESSION

Presenter:

Robert J Brown

Chief Executive Officer, Australian Custodial Services Association

To be joined by:

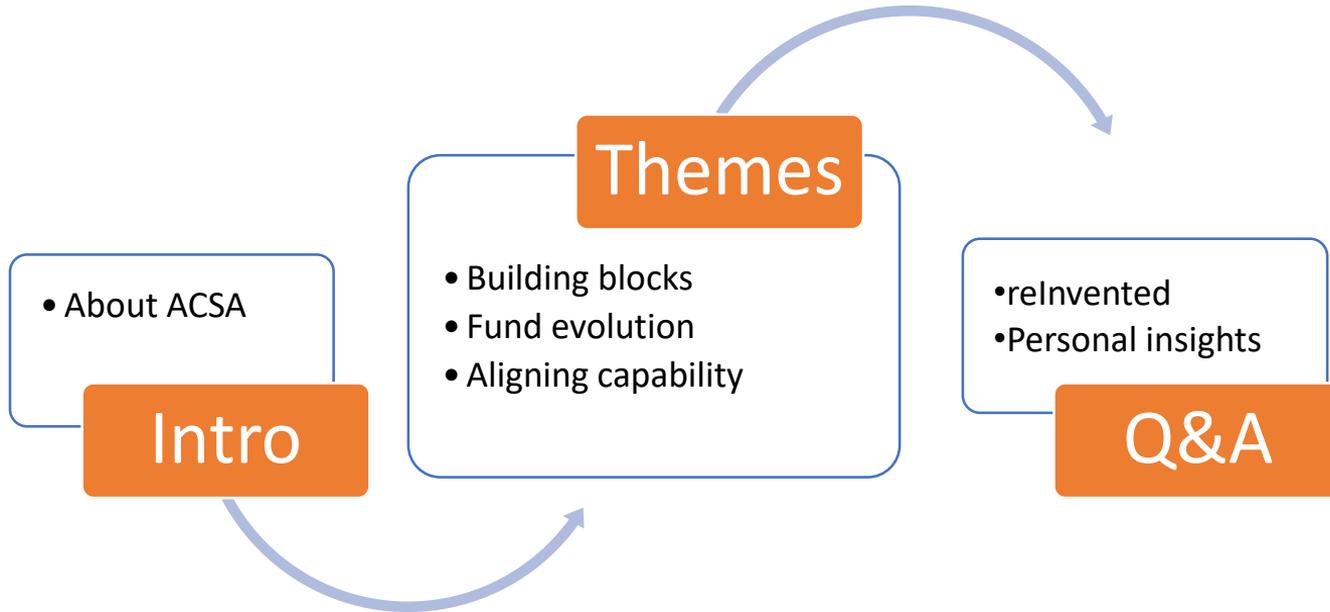
Sally Surgeon

Senior Vice President - Head of Client Services (Australia and New Zealand) and Head of Sydney Office,
Northern Trust Asset Servicing

Bryan Gray

Managing Director - Head of Sales and Relationship Management, J.P. Morgan Securities Services

PRESENTATION OUTLINE



WHO WE ARE

An association of custody and investment administration providers. Our full members (in alphabetical order):



Other leading industry participants with an interested in market efficiency and the benefits of advocacy, including:



WHAT WE DO

Formed in 1994, ACSA is an industry association that works on a pre-competitive basis to consult on new regulation, advocate positive change and to identify opportunities for improved efficiency, automation and standard market practice.

HOW WE DO IT

Standing Working Groups

- Regulatory
- Tax
- Operations
- Communications

Major Taskforces

- CHESS Replacement
- Funds 2.0 (unlisted assets)
- Regulatory Data

- Working groups of industry practitioners, engaging on a pre-competitive bases over systemic operational issues
- Focus on market practice, standards and advocacy for positive change
- A voice with regulators, market infrastructure providers and other stakeholders

✓ Automation, efficiency and consistency

Advocate positive change on issues impacting superannuation and institutional investors. Explore common ground with the AIST and other peak bodies

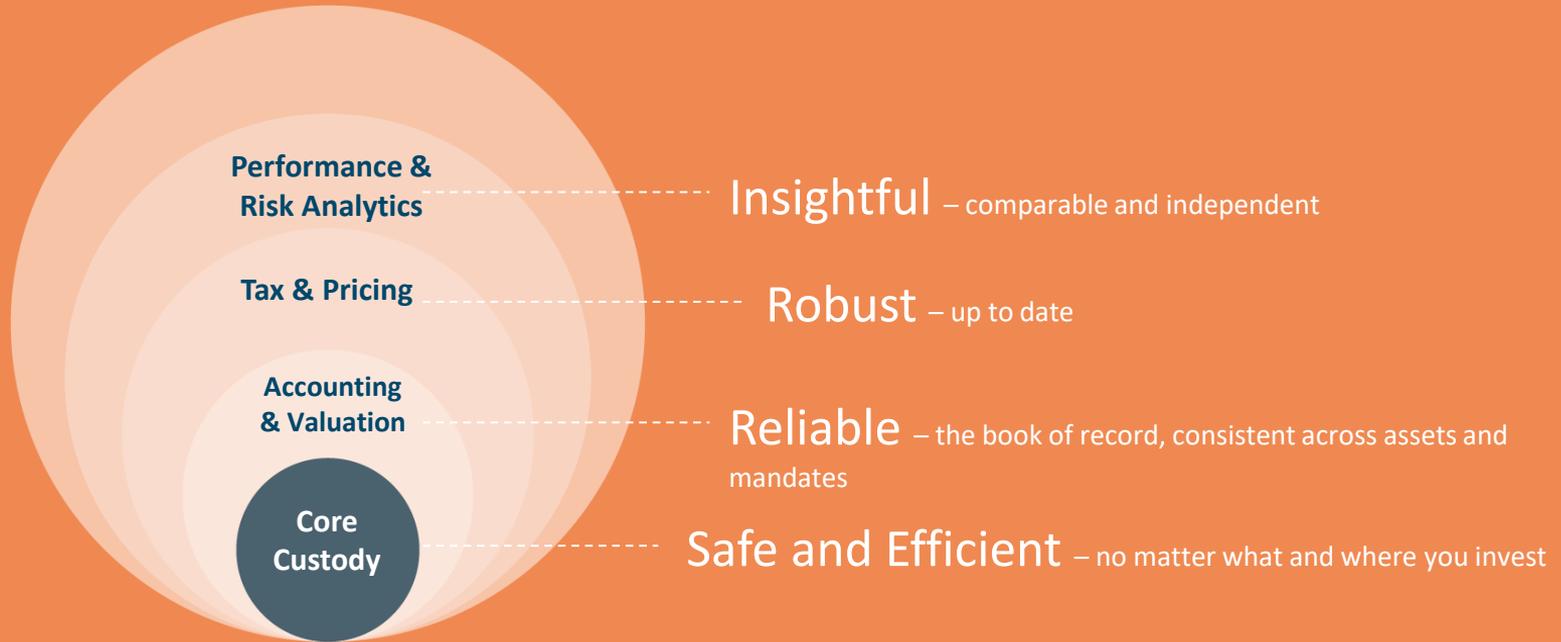
THE INDUSTRY JOURNEY

Landscape and drivers

- Building blocks of custody and investment administration
- Evolving superannuation fund needs

Building Blocks

A typical traditional service roster and benefits – responding to traditional needs



Rapid Change

Superannuation (APRA)

	2010	2018	
Number of entities			
Corporate	171	24	↓↓↓
Industry	65	38	↓
Public sector	39	37	→
Retail	154	118	↓
Average size			
Corporate	0.4	2.3	↑↑
Industry	3.5	16.6	↑↑
Public sector	4.5	16.3	↑↑
Retail	2.3	5.3	↑

Fewer, larger clients

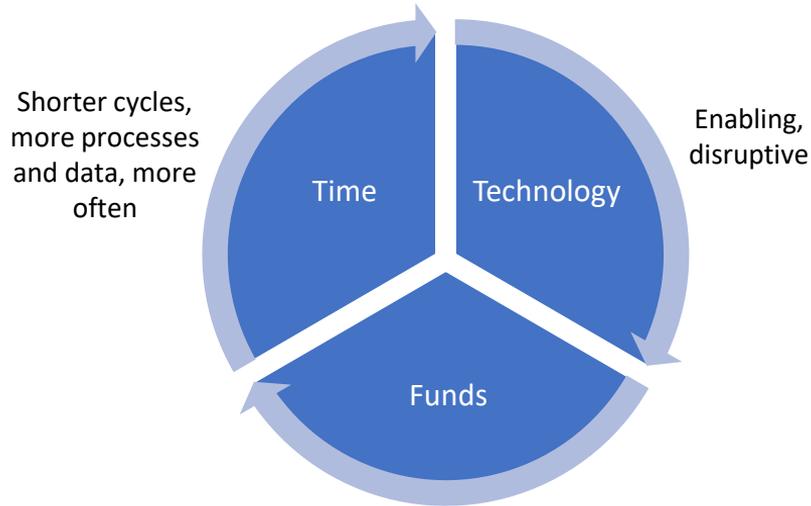
ACSA Statistics (Australian institutions)

	2010	2018	
Key metrics			
Total AUC \$'b	1,855	3,587	↑
Off-shore invested %	24%	35%	↑
Transaction volumes - million	10.3	20.0	↑

Expanding investment horizons

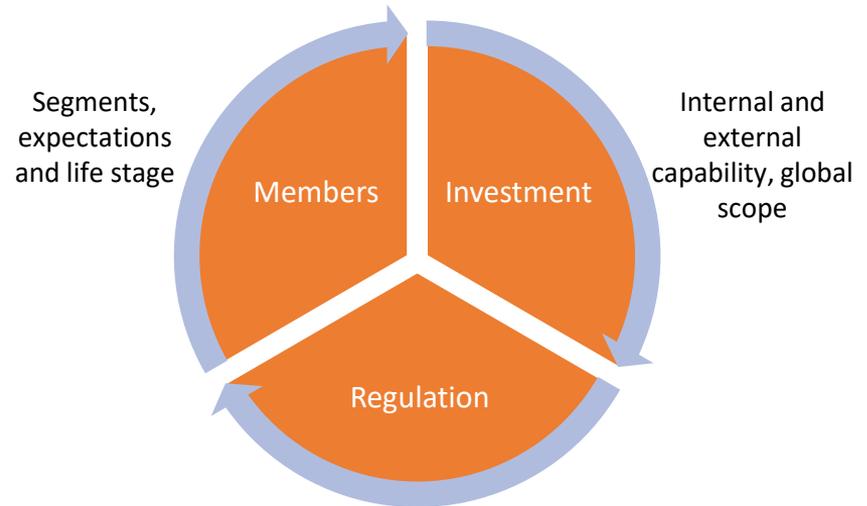
Drivers of change

Generic



Larger, more sophisticated, diverse, functionally specialised

Specific



As it affects your fund

PATHWAYS

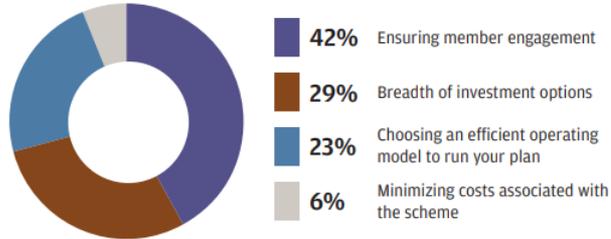
Future Shaping : insight and ideas

A sample of thought leadership themes from a selection of major custodians

- Key features of a changing landscape – internalisation, challenges to growth, cyber, ESG, smarter data, industry insights
- Traditional and entirely new perspectives

Future Shaping

Factors for creating a successful Defined Contribution retirement solution



J.P. Morgan's 8th Annual Multinational Pensions Forum (October 2017)

Improving investment growth and performance.

Structural impediments:

- adequacy of talent
- ability to upgrade technology to meet evolving business needs

Key recommendations:

- Widen the lens
- Scale the model
- Deepen the talent pool

State Street 2017 / 2019 Growth Readiness Study

APAC: Looking outwards for inward investment

- More reforms coming from China
- Index inclusion for China
- Regional-wide changes

Middle East: More reforms to come in 2019

- Market-wide diversification

Europe: The regulation keeps flowing

- CSDR: Now a reality
- Safekeeping under AIFMD and potential changes to the Directive
- The post-trade harmonisation mission continues
- Taxation

The Americas

- Simplifying the Volcker Rule
- Digital: Technology comes under the regulatory spotlight

HSBC Securities Services takes a look at what lies in store for the post-trade industry in 2019.

CUSTODIANS 3.0: THE EVOLUTION OF THE CUSTODY BANK

It is not when these re-engineered custodians emerge as much as how they get there that will be key.

Custodian 3.0 cannot be all things to all people.

Northern Trust Corporation 2018

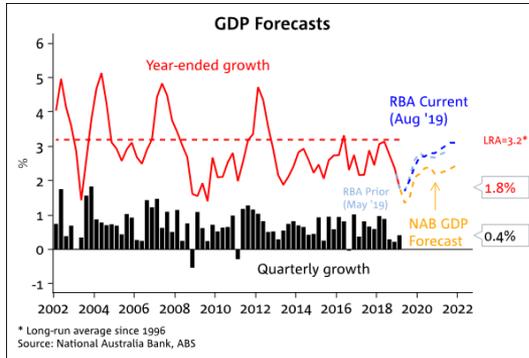
Future Shaping

Cyber security is a universal concern in the financial sector. As threats and attacks know no boundaries, firms are increasingly focused on approaches to mitigate, protect, and manage cyber risks. And private equity firms are also eyeing opportunities.

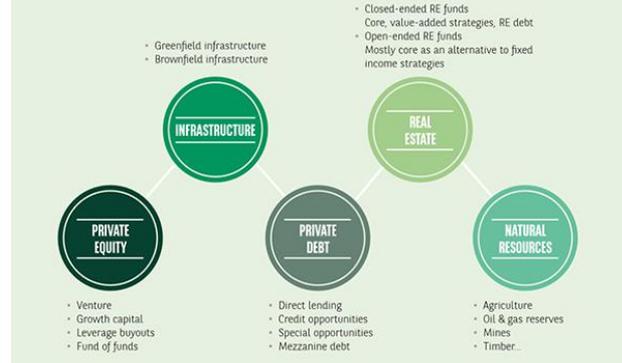
RBC, Our Insights : Cyber security from a private equity perspective

THE FORWARD VIEW: AUSTRALIA AUGUST 2019
Below-trend growth and low inflation – another rate cut ahead

National Australia Bank



PRIVATE MARKETS: PREDOMINATELY CLOSED-ENDED FUNDS WITH A CAPITAL CALL MECHANISM



An increasing allocation to unlisted assets brings an increased operational burden and requires specific capabilities ...

Equally, this asset class brings analytical and monitoring challenges ...

BNP Paribas Securities Services : *Institutional investors and rising allocations to private markets: Embracing smart data solutions to empower investment decisions*

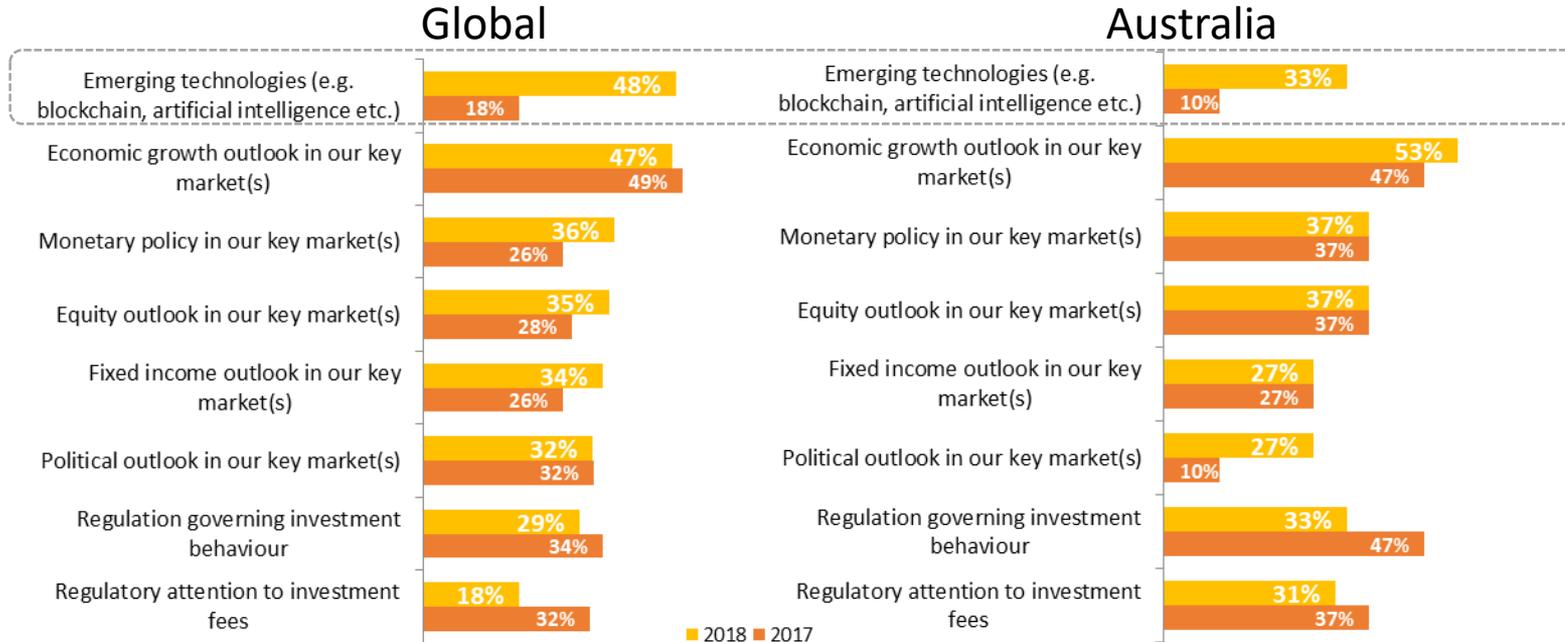
The theme of this symposium—“Tapping into the Flows of the Experience Economy” — captures the shift underway as we move toward a more deeply digital world.

The Citi annual Digital Money Symposium

Driver of change

For Australia : In 2017, just 10 percent of industry respondents believed emerging technology was a major factor in creating growth opportunities for their organization. Now we're seeing a dramatic shift in mindset, with 33 percent citing it as a top growth enabler.

Percentage citing factors as greatest opportunity for growth over the next five years



Q. Of the following factors, which provide the greatest opportunity for your organization's growth over the next five years? Respondents were allowed to select up to three factors .

THE PANEL

Joining for the panel session:

- reInvented
- Personal insights

Q&A

Sally Surgeon

Senior Vice President - Head of Client Services (Australia and New Zealand) and
Head of Sydney Office, Northern Trust Asset Servicing

Sally is a current Director of ACSA

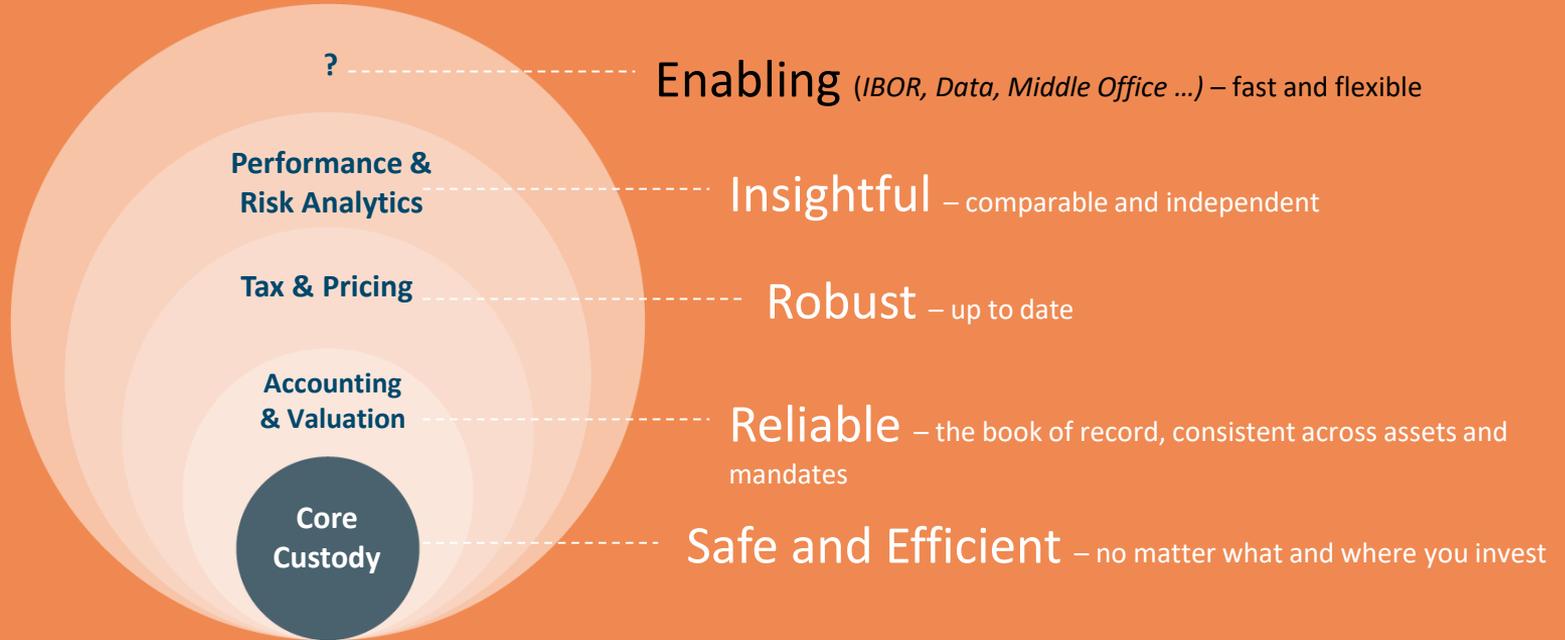
Bryan Gray

Managing Director – Head of Sales and Relationship Management, J.P. Morgan
Securities Services

Bryan is a former Chair of ACSA

Re ...Invention

A future service roster and benefits – responding to traditional and future needs



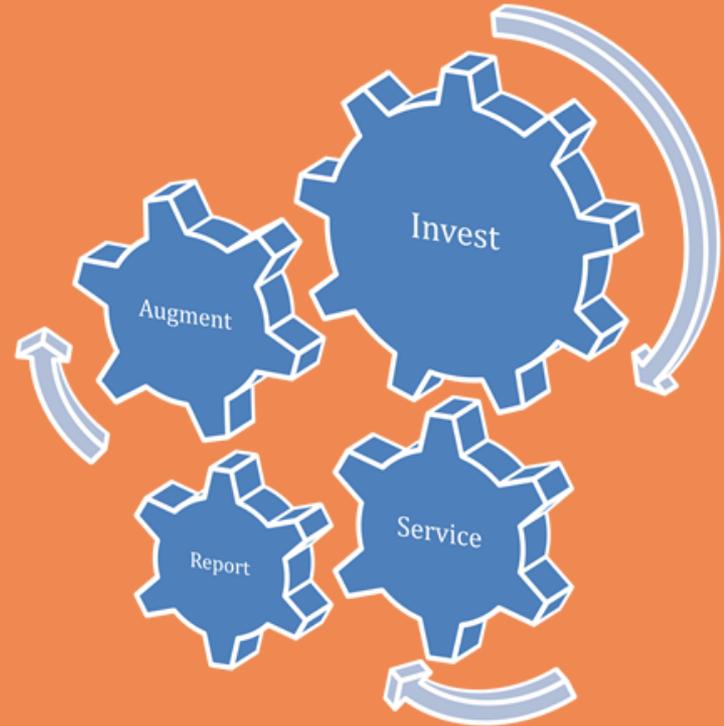
Front to Back Engagement

Execution

- A penny prevented from being lost
- Engagement through the investment cycle

Design

- Your fund's specific approach
- Focus and scale
- Engagement in the capability framework



Important Information

Disclaimer

This presentation has been prepared by ACSA for the purposes of providing an overview of ACSA and current generic features of the Australian custodial and investment administration sector for the ASI 2019 Conference.

The comments in this presentation do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.