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An examination of the key issues of outsourcing, centralization of data and the impact of regulatory pressures on fund management operations

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WHITE PAPER

Connections, collaboration, and information – end to end oversight in an evolving world

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In today's world, asset managers are challenged to formulate oversight programs that span multiple product types and regulatory regimes. With heightened regulatory considerations around the globe, the need for strong communication and the effective exchange of information has never been more critical. While similar in spirit, in practice the compliance requirements to fulfill rules in different jurisdictions rarely align identically. Data needs and available technologies are constantly changing, challenging global asset managers to keep up with the pace. In order to meet evolving requirements, managers and their service providers must connect and collaborate, forming stronger relationships to help facilitate sound programs.

Consider the perspective of a U.S. mutual fund's Chief Compliance Officer (CCO). The CCO's obligation is to uphold policies and procedures that are designed to prevent violations of laws and regulations. Documented protocols, clear escalation procedures, sound controls and segregation of duties to ensure checks and balances, as well as a healthy risk assessment process are all key components to consider. Behind each compliance report, of course, are data and information. The CCO must rely on information from the adviser and other service providers to the Funds in order to make assessments to effectively execute an oversight program. Service providers must be in a position to provide this data and reporting to the CCO in a timely and accurate manner.

Although CCO oversight has been part of the compliance culture in the U.S. for more than 10 years now, the U.S. mutual fund world continues to evolve. With recent rules issued around money market reform, and proposed rules on the table regarding Adviser and Fund reporting which would require significant changes, the needs around data are expanding quickly, and the timelines for delivery of that data are becoming tighter. If we consider the regulatory drives to modernize reporting, requesting additional information for expanded risk assessments, we see the continued push for faster, deeper dives into data.

To further illustrate how data needs are changing, the SEC noted in the "Looking Forward" section of its 2014 report that, "significant enhancements to the risk management practices of investment funds and advisers" was a 2015 priority. In late May 2015, the SEC demonstrated this focus with proposed rule changes, including the proposed new form NPORT which replaces the quarterly NQ filings with monthly filings. Like the recently implemented Form NMFP, which specifically focuses on money market funds, proposed Form NPORT requires information about a fund's holdings, including risk metrics, on a monthly basis. The data necessary to inform this reporting must be gleaned from several sources to provide a comprehensive and detailed filing.

The industry is swift to review and assess the potential impacts of new proposals, including the impacts on underlying systems and processes that would be required to support the rules. Although implementation work often does not begin in earnest until rules are final, in order to be ready, significant planning and thought must be done during the early stages, with managers and providers coming together not only to assess impact, but to provide feedback to the regulators. SEC rule changes are just one example of the need for asset managers and service providers to maintain strong lines of communication, and to ensure proactive collaboration in order to respond to regulatory evolution. We must come together to assess, analyze, respond to, and formulate solutions.

Global asset managers face additional challenges, as they must navigate the rules of more than one regulatory regime. For those that offer funds in different wrappers and in different domiciles, there is a need to formulate oversight programs and reporting processes that can leverage similarities, but adjust for local nuances. It is important for global managers to have experts within the respective jurisdictions – whether they are staff members, attorneys, compliance consultants, or other service providers – who are knowledgeable about the unique requirements of each regulatory environment.

Take Alternative Investment Fund Managers Directive ("AIFMD"), for example, and its interpretation of "alternative" funds. AIFMD seeks to regulate entities involved in the management of Alternative Investment Funds ("AIF"). The directive applies to EU investment managers who manage AIF's (both EU and nonEU domiciled), nonEU investment managers who manage EU AIFs, and nonEU investment managers which market any AIF (both EU and nonEU domiciled) in the European Union. AIFMD may, at a glance, not appear to have any impact to a U.S. registered mutual fund. After all, 40 Act funds are not "alternative investments." They are regulated products with a robust oversight and compliance structure. When we look closer, however, there are potential implications for European fund managers with 40 Act products.

AIFMD's definition of an AIF is broad, covering "all collective investment undertakings, including investment compartments thereof, which raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors and which are not UCITS." Since the directive defines any fund that is not authorized as a UCITs fund as "alternative" – including 40 Act funds – a 40 Act fund managed by an EU based investment manager would be considered an AIF, and the EU investment manager would be subject to the applicable rules. In situations such as these, the fund has multiple reporting obligations beyond those that are tied directly to its domicile and structure– so the same data must be accessed, organized, and reported in multiple ways. From an operational and technology perspective, the challenges of navigating multiple jurisdictions can be simplified for managers who work with a provider with a global presence for core services such as custody, middle office, and fund accounting/administration. Savvy providers can help to slice and dice similar data in very different ways in order to fulfill reporting requirements in multiple jurisdictions.

The U.S. funds industry experienced similar rule changes in the private funds space with the implementation of Form PF, which requires private fund advisers to report regulatory assets under management to the Financial Stability Oversight Council. Success in responding to this new regulatory requirement required collaboration, communication, and the exchange and synthesis of data from multiple sources. Securities details, accounting information, and investor data all inform filings. Strong data support programs bring together the information from the various source systems in a usable, flexible way.

We can draw comparisons between AIFMD and Form PF filings. Although both are focused on private funds, there are nuances in the reporting that must be met. The requirements are the same in spirit, but not in the details. For example, the means of classifying investors is similar – but is not identical. This means that for funds that can be considered in scope for reporting under both regimes, such as a U.S. Partnership managed by a UK based manager, the same data elements must be tracked, classified and reported in multiple ways. Not only must the data be accessible, but the labelling and classification must be flexible in order to meet the reporting requirements of different regulatory regimes.

In this environment of multiple nuanced rules and reporting requirements, how can a global asset manager efficiently meet the challenge? Scott Jones, a Director with Carne Financial Services who serves as the Risk Officer to the Adviser's Investment Trust, recommends applying a consistent discipline to like products, with adjustments for local nuances. Service providers can assist by identifying synergies in seemingly disparate reporting requirements, and leveraging flexible methods of extracting and presenting data in order to quickly meet needs. In addition to the effective provision of data, in a recent National Investment Company Services Association (NICSA) Strategic Summit panel discussion, Scott noted that strong communications among the teams remain critical, calling poor communication the greatest risk of all.

In addition to the demands of the regulatory environment, we have seen increasing demands by the institutional investor community for data transparency. With data being reviewed and processed by consultants, fiduciaries, and other entities that play a role in the oversight and servicing of institutional investors, the efficient exchange of data serves to support several players throughout the asset management and asset servicing industry. Decision makers who carry fiduciary responsibility for their clients continue to seek more data transparency in order to ensure that they can demonstrate and support their own reporting and due diligence requirements.

Ultimately, regulatory oversight around the globe and across the industry has a common goal – to protect the interests of the investing public. This is the core principal guiding the efforts of asset managers and service providers alike, and in efforts to build effective programs and operations, it is one that must remain firmly embedded in our culture. During the NICSA discussion, Harding Loevner's Lori Renzulli, CCO of an adviser to a global suite of registered and unregistered fund products offered in the U.S., EMEA, and Australia, noted that a cultural view of compliance as being critical to our business is a cornerstone of success. Further, compliance programs must evolve with the business – you cannot simply "set it and forget it." With this view as a core principle, our approach to regulatory change, and subsequently to the creation of support systems and programs to facilitate compliance, can provide opportunities to move our industry forward and continue to serve the needs of the ultimate audience – the investing public.

As service providers, we have opportunities to provide data and support to our global asset manager clients in a more flexible and timely manner. With an understanding of the regulatory drivers of change, a nimble provider can help clients navigate the changing landscape and can identify synergies in the data extraction and collection processes. As asset managers, we have opportunities to leverage that data to inform our oversight programs and more effectively manage risk for our end investors. In the ideal state, if we as an industry can meet the needs around data and information exchange, it will allow us to focus on the "why" behind regulatory reform, rather than the "how." While it is certain that there will be challenges, as our business continues to evolve, global providers must connect and collaborate effectively to offer creative approaches to solutions that can meet the needs of regulators, managers, and investors around the globe.

Where, when and how does outsourcing have a viable future?

Moderator

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Panellists

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Marc Mallett
Vice President, Product & Managed Services, SimCorp North America

Jim Stitt
Head of Data Management, RBC Global Asset Management

Todd Healy
Vice President, Head of Investment Operations, BMO Asset Management Corporation

Noel Hillmann: Thank-you to the panel for joining me.

I'd like to begin with the question, how crucial are outsource providers to your business operations and what can't be done without them?

Jim Stitt: Outsource providers are becoming increasingly critical to our business but it isn't necessarily a function of what can't be done without them but what can't be done well. As an organization we need to look at where we can add and create value and there are certainly a lot of functions in the asset management industry that are not value add functions, items like striking Net Asset Values ("NAVs") or fund accounting which doesn't necessarily provide a lot of business value for us. Others would be data aggregation from index providers. We have contracts like other asset managers do with a dozen or more index providers and creating separate interfaces for each of those providers doesn't make sense. There is also a distinction to be made between outsourcing services and outsourcing infrastructure. We are certainly seeing a move to get out of the business of I.T hosting and like many other asset managers, we are bank owned so there is a big I.T infrastructure behind us. Nevertheless, we are starting to see more focus on software as a service for accounting, data management and other practices as well.

It is critically important to us to outsource aspects of our business particularly in operations but it comes in different flavours.

Noel: Do you feel that being banked backed allows you to be able to take advantage of a history of internal operational set up that asset managers have only developed more recently? Does this put you at a particular edge in terms of the ability to conduct certain operations internally that for other asset managers, who are more silo'd, they may struggle with?

Jim: There is a balance: bank infrastructure and technology is very slow moving but once it gets into a stable position in a production environment it is something that you have to be able to count for processing thousands, potentially millions of transactions a day. Our servers are in those same server centres, with deep back up that is afforded to the X thousand of RBC branches across Canada.

That being said, being able to move quickly as an asset manager must, can be a challenge with bank technology. Therefore our approach has been to partner with the Bank technology on infrastructure that is more commoditized.

Where we have specific needs around asset management platforms such as portfolio and risk management along with portfolio accounting, those are the areas where we have moved away from the traditional bank infrastructure and looked to outsource some of that to other parties.

Marc Mallett: I would agree that it is a positive and can be valuable for certain types of functions, but it can also be slow moving at times and doesn't always work at the speed that an asset manager needs it to. If you look at the outsourcing market, many of the large outsourcers are the large custody banks themselves; while there are certain areas and functions where they provide a high quality service to their clients, much of the industry has moved to leveraging the outsource provider to do the work. Working in a T+1 environment is something that many of the banks do well; but when you start to move towards more realtime, Tdriven processes, it is a challenge for the bank infrastructure to keep up with that in many instances. There are certain functions that play well in the outsourcing space and add value, but an asset manager needs to move at a speed that the banks typically aren't used to.

Dan Houlihan: It is true that a bank infrastructure is larger and, in certain instances, can be slower than a single asset manager might be. We are cognizant of this potential impact so when we think about how we deploy our operating model and technology solution, we are sensitive to the pace required for different business lines.

Middle office outsourcing is a very good example of the need for a heightened sense of urgency. In these cases, we leverage third party providers like a SunGard or other accounting vendor for front office performance and risk, to leverage the power of the bank infrastructure, risk management and quality controls to deliver it at the speed with which we need to execute for our clients.

Todd Healy: I agree with Jim which probably is in part because both our firms are owned by Canadian banks, but there is definitely a line that we have created in terms of what services we want to have within our operations groups and which we want to give to an outsource provider.

We've taken a more in house view in the past although it has continued to evolve and grow where we are now looking at more outsource providers on a case by case and service by service basis. The bigger question is really around how much outsourcing everyone needs and depending on the nimbleness, size and make up of each individual firm you are going to get a different answer. Some are going to be selfreliant and others are going to turn over the keys to Dan and his teams so that they can take over the middle office.

We've taken an approach of, how can we partner with data aggregation services and other very specific services? We outsource to a fund administrator rather than striking our own NAV's and engage a separate transfer agent. We are using a third party for those services so we definitely have a combination of insource as well as outsource approaches. We are looking, as cost continue to be a concern, and we need to continue to look at where there might be an opportunity to do things a bit better and take out some spend.

The bank security infrastructure holds up well for multiple parties on this roundtable in that it does a very nice job for them due to the very significant commitment from a bank standpoint regarding cyber security. This is something that we did not talk about a few years ago but is now front and center with the Securities and Exchange Committees ("SEC") guidance earlier this year.

As we are looking at third party providers those types of questions are coming to the forefront. We are working through these both internally as well as with potential third party outsource providers since this could be a show stopper for us.

Dan: There are tradeoffs but our clients do benefit in terms of capability. Outsourcing is a revenue business and a big growth engine for our firm, so we are investing considerable millions in our capabilities and expertise around the world. It is clear that a single asset manager would have difficulty over time, keeping up with the advances and enhancements that a large bank infrastructure and resources can deploy. So while the speed might be there for an asset manager, the tradeoff is capability in both breadth and depth.

Todd: I support what Dan has just said: he is running a revenue-generating team while I am running a cost generating team – two different perspectives that affect how to approach finding a solution. Dan can show a return on any investment made and that affects expectations. I need to sell it internally very differently and need to look at things from a costcontainment and riskmitigation perspective. It is a very different approach, so the ability to fund enhancements and keep at the cutting-edge of technology is probably slightly in favor of the outsource provider.

Marc: Not all outsourcers are created equal and they have all taken a different approach, in particular in middle office outsourcing or the Investment Book of Record ("IBOR").

Those who have implemented a truly global operating model, with single technology platforms, are actually providing, in some cases, both timeto-market and over time cost advantages and value to their clients. Most of the large providers haven't done that and are operating with multiple, disparate infrastructures and operating models around the world; not only can't they move fast, but they are also having to invest in basic capabilities. You are now putting your operations in the hands of an organization that is being regulated very differently to the asset management industry and under stricter regulatory constraints.

"Not all outsourcers are created equal and they have all taken a different approach"

You have to consider what functions you are willing to outsource and how far you can really go when you have outsourcing providers who are looking to not only deal with the issues of regulatory constraints, but also the low interest rate environment which is continuing to constrain profit. Net Interest Income ("NII"") has always been a huge driver for the large trust banks, which is something that they cannot rely on today. This is impacting their ability to make investments in new technology and new processes. It can cut both ways, so being a large bank does bring advantages of security and large balance sheets, but it can slow things down and potentially, over time, not deliver the value that you are looking for.

Noel: With the proliferation of regulation and cost compression that asset managers themselves face can outsourcers continue to offer the same level of services at the same level of operational risk and the same cost?

Dan: Yes and this is where it is a strength to be a bank. Rising costs, increased complexity and the pace of regulatory change are all drivers for outsourcing. Not only do our clients look to us for operational capability on regulation, but increasingly they want more advisorybased services. We can provide this at a level and scale that a single asset manager would struggle to achieve. This is particularly true in the middle to lower tier of the market where asset managers don't have access to the human capital or real capital that is required.

The key for providers is to deliver real value to our clients in responding to the regulatory challenges and turn it into net income, rather than taking it on as strictly a cost burden. On this front, some things are very straightforward to price, such as Form PF. However other areas have to be factored into our overall product pricing and market positioning strategy. There is no question that our clients are leaning on us heavily, not only on the operational side but also the advisory side.

Noel: The idea of then commercializing some of the regulation is that the asset manager is getting access to a sharing of cost rather than taking on the capital costs themselves. Is that the justification for you to be able to make the necessary investments in your background operations?

Dan: Absolutely. Another example which is quasiregulatory in nature is cyber security, where we are spending millions every year. Consider the mutual fund world where the independent fund director is expected to have a cybersecurity plan and almost a "Chief Cyber Officer" to oversee the activities of their fund accounting provider. The question of how to commercialize this deliverable is emerging and may become part of the service that we provide. A single asset manager may struggle to keep up with our capabilities and the investments that we continue to make in this area.

Noel: Marc what are your views on outsourcers being able to offer the same level of services at the same operational risks and costs?

Marc: I want to focus on outsourcing your IBOR or middle office. The market in terms of fund accounting and administration is very mature. Within that context, outsourcers are facing even greater regulatory and cost issues than the asset managers themselves. With interest rates at historic lows, that is a significant drain on profit for the large custody banks, which makes it difficult for them to continue to invest. Most of them have initiated very large operations and technology transformation projects over the past several years and those projects were not initiated to deliver better or more innovative service to their middle office clients it is really the opposite as they are looking to drive down cost and develop more efficient operating models.

As Todd appreciates, operating a middle office, whether profit-generating or not, is, at the end of the day, is all about efficiency and operating in an environment where you are reducing the unit cost of delivering the service. The large outsourcers already had a talent, experience and capability gap, when it came to supporting the middle office for investment managers. This is because many of the organizations grew up as core custody servicing organizations and it wasn't that long ago that many figured out that the middle office was a near realtime, T driven environment. Now, with these enterprise transformation projects that are underway, they are looking to eliminate the very people that have figured out how to operate an efficient investment manager middle office, and are investing in centers of excellence, both near and offshore.

With the question of cost, it is hard to argue that a centralized organization, delivering these services across dozens of clients, isn't going to be more cost-efficient; but we have a number of clients who have pulled these services back in house and are now delivering both middle and back office services from one platform at a lower cost than if they were to outsource. They are focusing more on the quality question and how one can deliver a higher quality service at a lower price point when facing the very same or even greater regulatory costcompression issues that the clients are.

Dan: The interest rate point is slightly old news in that all of the banks have been dealing with that for several years now.

We look at it from a revenue perspective since middle office outsourcing is one of the fastest growing segments in the bank and a big driver of our top line revenue. I am responsible for an asset servicing business that supports hundreds of fund managers, and this business is key to our long term revenue growth plans. Our capital allocation now versus five years ago is considerably larger, so we continue to make investments without significant downward cost pressure.

I agree with Marc's point that if you come at it from a pure cost perspective, the result will be an overfunctionalized and overregionalized operation, which can have an impact on quality if you are not careful. Fortunately we view it as a revenue opportunity and we design our operating models by working backwards from market requirements and client needs first and foremost.

Noel: Jim, do you have any comments on how outsourcers are reacting to regulations and general cost compression?

Jim: Interestingly I would turn it around and say that as we face money market reform, BCBS 239 and various other regulatory reform changes we are looking to our outsourcing partners for guidance as trusted partners. This means that we can choose a path of going it alone and trying to understand how to respond to some of these regulations. Alternatively, we can look to outsourcing partners who have truly solved some of these problems for their other clients or are solving them and can ask them to show us what they are using and seeing from their other clients. We can learn from their experience. That information doesn't have to solely come from us as we can learn from others.

This has been very helpful certainly with money market reform and our fund accounting business.

Todd: We've had a heavy reliance on our internal resource reacting to regulations. There are some outsourcing providers who we do lean on for some of their expertise particularly as it relates to the mutual fund specific business. However, depending on where we are at and what type of regulation it might be we are also utilizing some other third parties as subject matter experts in different topics be it Dodd Frank etc. where we are able to partner and gather that information.

We have not looked to bring everything to a third party source and hand over the keys. For us, the way that we have implemented systems and the efficiencies that we have recognized, we would not be able to drive down our operating costs going to a third party. So, if we were to move in that direction it would have to be because of risk mitigation or a major avoidance of a significant investment or something along those lines.

When you talk about the cost compression, we experience a lot of cost compression as an asset manager. Client and expectations in the marketplace about where fees are at, there is a constant pressure to drive those down. We see a trend over time of average fees in different asset categories continuing at a downward slope. So even on the asset management side we have a lot of compression on the cost side which means that cost containment has to be a strong focus at all times.

Noel: How are administrators and technology providers continuing the path of innovative operational developments that are demanded of them?

Marc: The approach that we are taking is one of driving down the complexity of the operating environment and providing a platform from which our clients can grow their business and meet their strategic objectives. We are doing this by helping them eliminate the number of duplicative systems and processes that they have within their organizations.

Our platform, SimCorp Dimension allows clients to support the entire investment lifecycle from portfolio management, investment decision-making and trading, all the way through to creating your portfolio accounting. A platform like this creates an efficient environment where you don't have to have dozens of staff to support data management because there is no duplicative data to manage. You don't have to have multiple separate accounting teams to deal with your IBOR or Accounting Book of Record since you have one team with one stream of transactions. What we are focused on is helping to drive that efficiency to make the operating environment as focused on exception management as possible; this is achieved through embedded workflow within the environment and technology that allows management to manage from a dashboard and allocate resources where necessary, throughout the day, so that if there is a spike in demand they can reallocate resources and there are KPIs created automatically to deliver that information to them.

You can certainly translate that to the outsourcing space for the providers who are leveraging technology like that, which is truly global, multi-jurisdictional and multiproduct. They can leverage capabilities like that to deliver a service and value to their clients. If they continue to operate with multiple disparate platforms it is very difficult for them to add value other than just transferring risk and cost from one party to the other.

Jim: Anyone who has been in the industry for more than 10 years has seen the ebb and flow of platforms whether it be accounting, data management, portfolio management platforms etc. One common theme is that there hasn't been a single leader for the past 15 years. There have been areas where one platform has led over another and a lot of this has to do with the speed at which technology is moving. As an outsourcing provider, the challenge is: how do you stay abreast of technology changes (particularly on the data side where 10 years ago it was Oracle and SQL and now there are all sorts of big data providers), given the length of time it takes to implement new platforms and the depth at which people plumb them into other systems.

It is interesting to consider who the next leader will be and what legacy systems it will leave behind.

Marc: I can't answer that from an outsourcing perspective but from a technology perspective I would agree with you that there hasn't been a real leader across the full investment life cycle. That is what we feel we are emerging into, as the next leader, as we have the only platform that can support the entire investment lifecycle from portfolio management through to striking NAVs and general ledger. We stay ahead of technology by investing 20% of our revenue in Research and Development ("R&D") it was over $60m last year and that is something that we have been doing for the past 20 years now. Unlike a lot of the other vendors that have come and gone, been acquired or have really lost focus on what their product is, SimCorp hasn't, and we are heading towards being the system of record for the investment management industry. We then want to integrate with some of the new technologies out there in order to support other initiatives.

Noel: So in your view, for those competitors of yours who have been acquired, what affect does this have on them innovating?

Marc: There have been a number of acquisitions recently in the Financial Technology ("FinTech") space. If you look at the products that have been acquired I don't believe that you can name one of those products that has continued to innovate and capture the market. There aren't very many independent financial technology firms left who are serving the investment management space. If you look at the deals where these acquisitions have occurred, really they have been driving efficiencies in those business models, eliminating R&D resources, consolidating technology development and product management and consolidating their presence in the market. This is so that they can reduce costs for the corporation, not so that they can innovate for their clients.

As an example, SS&C have just released a statistic that they reinvest about 7% in R&D across their entire stable of products which is increasing daybyday with acquisitions.

Noel: Dan you are an administrator and have seen people in your peer group who have made sizeable acquisitions in the past 24 months. What is your view on the continual innovation and what is the effect of acquiring technology providers to achieve the innovative abilities?

Dan: We will continue to innovate and invest in new technologies. We are very focused on pushing out better, faster and more capable front office desktop tools particularly around risk and performance. In some cases we will build our own tools, whereas in others we will rely on third parties. There is no question that the investments that we are making, particularly in our asset servicing business, are far larger than they were five years ago.

The technology transformation is a fair point and it is a consideration whether outsourcing to a custody bank or implementing a new accounting system. Asset managers then get into the philosophical debate about whether to insource or outsource the capability. We view it from a transformation standpoint as we have not grown from acquisition. We have a single instance of each system regardless of where our clients are around the world. This strategy has served us well and allows us to move relatively quickly.

However, outsourcing is more than just a technology play and it is difficult to place a value on how effectively we enable our clients to execute their business strategy better and faster than they would have with an internal infrastructure. We have a major service wrapper around the technology, and this service focus often extends beyond the typical day to day operations. We are now able to advise our clients around issues like global distribution and working through the maze of different products and regulations around the world. Hiring and retaining talent within the organization with the brain power to drive our continued evolution is something we are extremely focused on. We strive to be viewed as a knowledge company, working to ensure that our long term strategy is aligned with where the market is headed. Our focus on these intangibles can start to impact the top line of our clients, which increases our value proposition and changes the dynamic of that relationship for the better.

Todd: In terms of the concept of build versus buy, I have seen a significant shift within our business. In talking to peers, the idea of developing a solution internally versus looking for a third party as close to "off the shelf" as you can has changed significantly. There is a recognition that the ongoing maintenance, key man risk and all of these components that come with developing something internally have shifted so we, as an organization, are very rarely going to develop something internally. We are looking for a solution from a provider to help us bridge that gap.

This has changed considerably from the last 8 – 10 years and I can see the same thing happening from an infrastructure stand point as well. If you had come to me 8 years ago I would have said that I did not want to host something outside of our four walls but now that is actually becoming the preference not only for our firm but for a number of firms like ours.

There has definitely been a shift from our point of view where we were not accepting of looking for shelf products, hosting and other tools out there and in relation to outsourcing, we felt we needed to do everything ourselves and this has changed.

This is significant for companies like SimCorp, Northern Trust and other outsource providers and vendors to be able to continue to build on the success that they have had.

It isn't really a question of should you or shouldn't you outsource. Each firm needs to decide where it makes sense for them, at their point in their lifecycle. For some, it is going to be internal and some may potentially move to a third party provider.

Jim: For us, we build where we can clearly distinguish ourselves from our competitors. If we can't, then we don't see the rationale and as Todd also noted, my views on this have changes over the past 10 years for sure.

Noel: Thank you all for sharing your thoughts on this subject

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