

APAC

Organisational Dynamics within Markets Business Management

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The COO community unexpectedly found themselves central stage in March 2020, when promoted to a heightened position of visibility and responsibility.

This responsibility was to manage the complexity and myriad of challenges presented by the pandemic. Whether this enhancement of position and influence are temporary or will reshape the mandate of the COO and business management is yet to be determined.

What is materialising is a review of the role and mandate of the COO, aimed at determining how best can this central role and function serve the business.

In any group that has multiple businesses and operates in many locations, the division and allocation of business management responsibilities have historically been reviewed regularly, non-less so than in APAC. Here the multi-jurisdictional, cultural, and complex regulatory landscape across the region lends itself to a unique portfolio of challenges for the COO community, and the CEO who needs to use this function to best serve the interests of the business.

More recently a question is being asked by some is how best to meet this challenge, but in context to meeting the uniqueness of the challenges presented by the complexity of operating within financial markets. At the centre of this debate is the splitting of responsibilities between the country or entity COO and the regional COO Markets, who is charged to manage disparate Markets' activities?

This survey aims to establish what the market norm is in relation to this point of debate. Undertaken by 22 Global banks, all members of the International COO Community (**iCOOC**), and representing the international community with operations in APAC (Canada, the US, UK, mainland Europe, Japan and Singapore) the results present a clear picture:

- » The business management operating model and how Markets activities are supported by the COO function is overwhelmingly dictated by the size of the bank in region and specifically its Markets' franchise.
- » All banks with a mid to significant Market's business, except one, operate with a regional Markets COO, with locational COOs and/or business managers all reporting into this regional COO.

Markets related activities are managed by a Markets specialist in location, reporting to the regional COO, but working hand in hand with local and regional compliance partners and where the impact of a regulation may be strategic, with the country COO, but not led or owned by the country COO.

- **Note 1:** where the locational Markets activities and operations are notional, there may be exceptions and the entity COO may manage Markets taskings, but this is the exception.
- **Note 2:** with comparatively smaller regional Markets' businesses, where activities are minimal in all but the regional hub, no Markets head count is warranted and aligned activities are invariably overseen by the entity COO.

Most survey participants pointed to risk management, controls and product and business knowledge as being the required skill sets to manage such matters; it was further argued that such matters are additionally, better served by ownership, oversight, and management by the regional and global Markets management team, not least the context of locational regulations to the regional and global landscapes are important in their understanding. These arguments appear to override any cost savings and benefits to be realised by delayering the business management function or relocating tasks and responsibilities.

It was also noted that the continued globalisation of the financial markets, the anticipated advent of global challenges such as ESG, the similarity in how the regulators invariably merge onto common path of action, underpins the business case for an APAC Markets COO to be central, influential, and own the regional resources to manage Markets matters effectively.

A reliable organisational reference for business management ownership and governance for an APAC regional COO (read CAO, Business Manager) for banks with a mid to significant Markets franchise operating in one or more locations would be:

- **Regional Product COOs** (such as equities, rates, commodities)
- **Country Markets COOs** (e.g. the Markets COO for HK, Singapore, India)
- **Regional Risk And Control Leads** (e.g. conduct, financial crime)

These respectively report on either a dotted or direct line to a global product COO, a country Markets Head or the global 1st line Business Risk & Control Head. Notedly, just as the Swiss Banks exclude Zurich from any global mandate, the Japanese banks tend to operate principally on a regional basis, the APAC COO being APAC (except Japan) reporting to the regional CEO; there being a Global COO based in Japan, but he/she does not directly own the regional COOs. This in most cases, all bar one.

The additional evolutionary aspect not surveyed, is the question of middle office and operations ownership. Of the 20 banks surveyed, 15% the COOs directly own middle office and operations and a further 40% indirectly. There is evidence that the trend is for COO ownership of operations becoming more common place. Not such a new phenomena but more an apparent reversion to previous and historic operating models.

This is highlighted in the POV Are Banks Returning to front-to-Back, End -to-End ownership', and being investigated in the iCOOC Operations Working Group July – December, 2022.

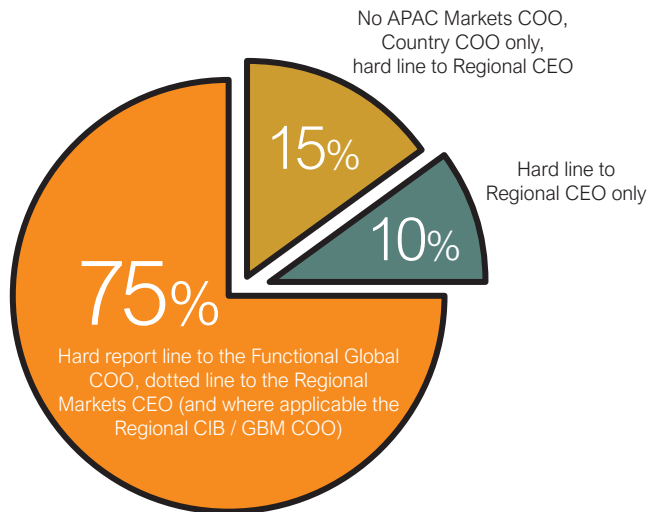
<https://www.armstrongwolfe.com/pov/are-banks-returning-to-a-front-to-back-end-to-end-ownership-of-the-business-2/>

It is also important to note the lack of consistency in the term COO. The responsibilities can vary significantly, with many influences, although for clarity this survey focused on the role and responsibilities of the in-business Markets COO, whilst seeking to include those COOs by title that may own business management, but do own operations and technology.

The role, mandate and organisational structure of the Markets business management function will be analysed in the iCOOC Markets COO 2022 Compendium, to be distributed to iCOOC members (global and regional COOs) in September.

For more information on this publication, contact info@armstrongwolfe.com

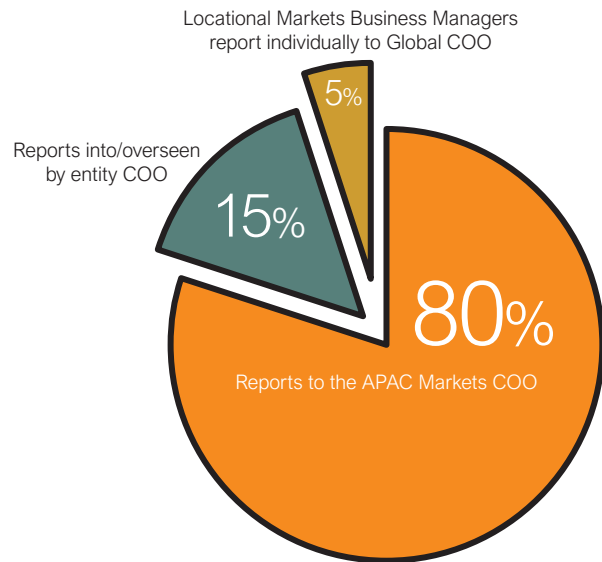
APAC Markets COO - what is your regional and global report line?



Positioning Comments:

- » “Yes, each report to me as regional COO Markets. However, in very small countries/operations there are no (senior) Markets’ business managers/COOs. You can argue in such cases the business heads double-hat and act as de facto COOs”
- » “We have in country Markets COOs in each country location. Their primary reporting is into the Markets COO function, secondary into country business heads. No direct reporting line to country entity COO”
- » “Global reporting lines for all markets COO staff (in some cases there are local dotted reporting lines, but functionally its operated globally)”

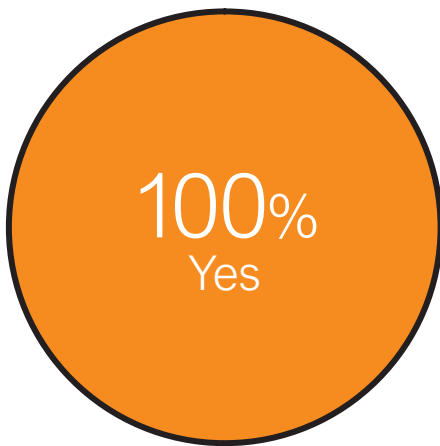
Does the APAC COO Markets have in country Markets COOs/business managers across the region that report to them directly or do they report into each country entity COO?



Positioning Comments:

- » “There are relationships at the country level managed by the Country head, but also relationships at Markets level with the respective Markets regulators. The CAO at each level will get involved as needed when there are enquiries or exams. ICRM is typically the one through which any communication going out happens”
- » “Local Regulators are “handled’ by Local staff (either the Chief country officer, heads of business, compliance, etc – depending on the topics)”
- » “It depends on the subject; COO interface tends to be on enterprise wide subjects, e.g. governance, strategy, risk & compliance while specific technical topic, relevant manager will be engaged with oversight from the COO)”

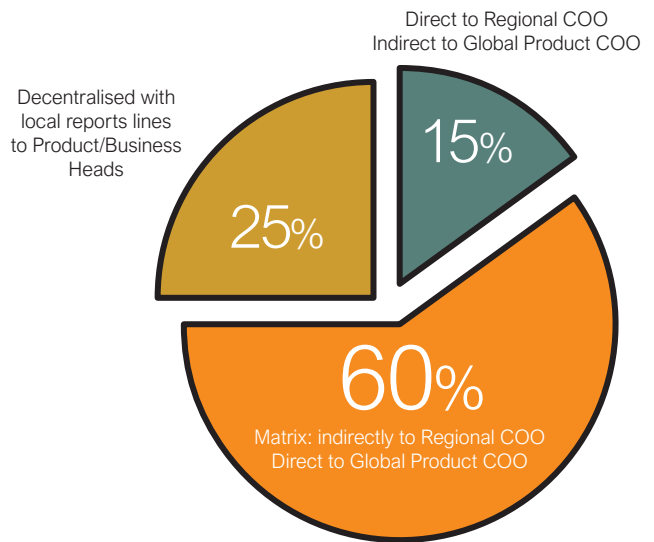
Markets' COOs are under pressure to have their Markets COO/business management resource removed from some locations/countries, to reduce cost. The counter argument is that you need a Markets content rich resource at the commensurate level to be responsible for the uniqueness and specificity of Markets' activities, regulation, risk, and control oversight. Do you concur?



Caveats:

- » *“Agree (exception being very small operations)”*
- » *“It depends on the scale and complexities at the location. For location that are less complex, I believe there may be opportunities to delayer and remove costs but locations like ML China or Japan where it is arguably more complex / language barrier a local COO is essential”*
- » *“I agree except for very small sites where you might argue that we don't need a COO and Head of MSS can have the Market expertise”*
- » *“It's really a question of size of the Markets platform in each country. Above a given 'size' we have Local Markets business manager”*

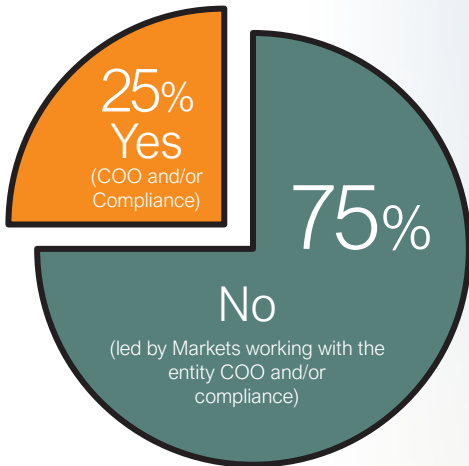
From a product perspective, do you have a regional product COO e.g., FX, Equities, that report to you or the global product COO directly and you indirectly?



Positioning Comments

- » *“Typically, all have matrix reporting lines, direct and indirect”*
- » *“There are some regional business managers dedicated to products and business lines, each report to the Markets COO in the region and to the global COO for that given product/business in [Europe]”*
- » *“Regional product COOs report primary into regional Markets COO, secondary into the global product COOs and/or regional business heads”*

The entity COO interfaces with the local regulator on Markets matters as opposed to the a content specialist Markets COO/ Business Manager?



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