

Pre-Working Group Positioning Notes

Operations Working Group Programme

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Positioning discussion by our Industry Advisors to the iCOOC



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Outline

The objective of the **iCOOC Operations Working Group** is to take the leading operations executives of iCOOC on a journey of disclosure, open debate, and discovery to understand how best to navigate and manage a business through a sustained period of transformation to arrive at a predetermined target operating model. Supporting this effort, Armstrong Wolfe Industry advisors **Andrew Murfin** and **Ralph Orciuoli** discussed their thoughts in advance:

“Keeping the objective in mind, we should stay away from where we came from as I am not sure it matters anymore and runs a high risk of taking away time from the today and the tomorrow. Starting with where we are now will set the foundations for debate and help form the gap analysis as we look to the target state.”

Ralph Orciuoli

To this end, I think there are two distinct levels of operating models:

- » **Macro Perspective:** Is Operations part of a group/corporate centre construct or business aligned, which is managed and owned at the Executive Board level?
- » **Micro Perspective:** Operating model questions to be asked:
 - » Regional vs global
 - » Functional/product vs process
 - » Onshore vs offshore
 - » Outsourced vs captive

“In my experience these micro-operating model aspects are more within the remit of Operations Management to make these decisions.”

We should be clear as to how we want to cover and differentiate between these 2 points” **(AM)**

“Interestingly, from my experience the operating model question is decided a level or two up (i.e., group exco). It may be a fait accompli for many Heads of Operations, whose job is to execute on the strategy and not to design it. This will be an interesting point of debate to understand what level of empowerment some have on this matter to others. More so, this may be reflected in the operating model they presently occupy and run and equally the end destination and TOM.” (RO)

“In this context, a poll of the group members focused on what outcomes they are seeking from their target operating model would sharpen the debate as to the journey to be undertaken. To further hone this discussion, listing different choices and outcomes and having the group members pick their top 3 will enable us to understand where there is commonality or discord at this early stage. It is highly likely all will be seeking all the outcomes listed, but individual views and perspectives on priorities will provide points of discussion.” (RO)

“I agree that we absolutely must look to shape the discussion around the key trends/drivers that will allow Operations’ management to reshape their functions:

- the need to flip the axis from being process/task oriented to 100% client aligned (and the need to do this F2B)
- the need for a comprehensive data strategy to drive all activities and decision making and establish a new way of working
- how to embrace the IT agile revolution and what does this mean for Operation in terms of organisation and delivery capability (and their relationship with IT)

- how to drive a comprehensive digital/automation strategy, linked to the above which re-imagines the work activities and skill sets of Operations
- the impact of digital assets and block chain on all post trade services - as Ralph mentioned this include atomic settlement, the codification of many activities e.g. corporate actions become coded events etc
- the opportunities or the need to leverage RPA, Cognitive tools (OCR, NLP, AI) into the processing landscape
- the impact the above has on both the leadership skill sets as well as the competencies of staff at all levels e.g. a shift to design, tech savvy oriented people who have engineering type skills and who are comfortable in implementing and managing AI solutions (e.g. coding in python)
- will external partnerships become an integral part of the future op model be that with outsource companies, FinTech’s etc?
- Is this an opportunity to move away from legacy labour arbitrage models in low-cost countries to a true managed service model?
- where does Ops ultimately sit in the value chain? e.g. for digital assets, custody becomes a critical service and one of the primary hooks into clients
- do the above need to be consistently applied whether you are in Investment Banking, Wealth Management or Asset Management? Does this therefore create an absolute need to drive solutions across divisions esp. when it comes to digitalisation or can you still achieve success within a business aligned model?” (AM)



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This can be further supported by making the following assumptions:

Assume a true and fully digitized data environment?

- » **Digital Asset Securities** / AMMs / DeFi platforms (some form of block chain will be in industry use, anything from private securities to clearing houses)
- » **Atomic Settlements** (what is atomic settlement? Instant exchange of two assets that are linked, such that the transfer of one occurs only upon transfer of the other one. This concept is particularly relevant for the financial sector, where today, it takes two days for securities to settle (**T+2**))
- » **Crypto** as an accepted and in-use asset
- » **AI / ML** (Goldman bot'ed the IPO process in 2017)
- » **Full Or Near-Full Cloud Based Computing.** No data centers, all outsourced to AWS, Google, or MS.
- » **Outsourcing / Service Models** (currently c.25% of infrastructure is outsourced, many argue this will probably move to 50% on average, a significant market movement)
- » **Competitive Landscape** (the merging of big tech doing payments and other finance vs the big banks)
- » **Big Regional Centres** (NYC, London, Hong Kong, Singapore) move towards decentralisation given improved video meetings, remote working acceptance, and clients being scattered
- » **Readiness For Geopolitical Issues** (e.g. China as an increasing powerhouse / or conversely sanctions against China)
- » **“ESG Preparedness” (RO)**

Underpinning conversations in the coming period and drawing on the collective experiences of working group members, is an appreciation that openness and the richness of the dialogue of the peer-to-peer exchange on this journey is of equal importance and value to the destination and planned output.



“I would agree that we need to focus less on where people have come from and take current position as the starting point. People tend to like spending too much time reflecting on the past and the legacy challenges whereas there are now key inflection points and industry changes that provide the opportunity to shift the operation model at a more radical level if ambition is aligned.”

Andrew Murfin



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