

Meet the Moment

How Smart Firms are Accelerating Growth
with Next-Gen Technology.



Introduction



Broadridge recently hosted a panel discussion¹ featuring senior executives from leading client firms on the buy side and sell side, including JPMorgan, Mizuho, Société Générale and Capital Group/American Funds.

The conversation focused on how industry innovators are using next-gen technologies including AI, blockchain, the Cloud and digital - what Broadridge calls **The ABCDs of Innovation®**, to accelerate growth and enhance the client experience in a rapidly changing operating environment.

This paper looks at how these technologies are transforming financial services and allowing firms to meet the moment, adapt to change and take advantage of unique opportunities in the new now.

ADAPTING TO THE NEW NOW

Microsoft CEO Satya Nadella recently said the firm has seen two years of digital transformation in two months as the pandemic acted as a catalyst for a widespread shift to digital interactions. Across all sectors, consumers have changed how they interact with their favorite brands, how they make purchases and how they engage in their jobs. These increased digital expectations also apply to how consumers interact with their financial services providers.

¹To view the on-demand recording for the Accelerating Growth with Next-Gen Technologies Webinar [click here](#).

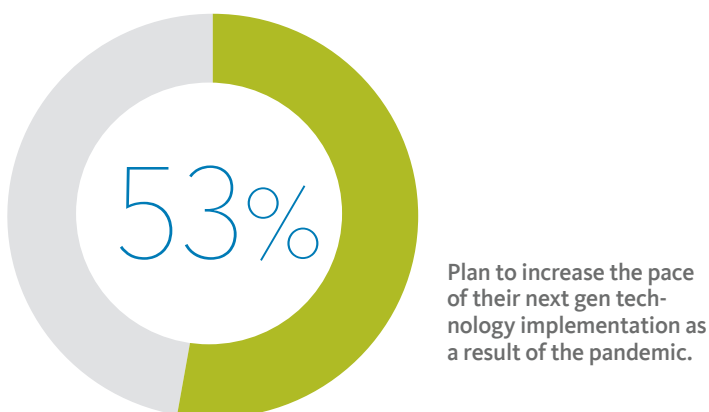
“We should remember that good fortune often happens when opportunity meets with preparation.” -Thomas Edison

Because of this rapid change, financial firms with the ability to pivot quickly to a more digital client experience are now well positioned to grow market share and build customer loyalty during a time of upheaval. At the same time, growing digitization is acting as a foundation for the next-gen technologies that are transforming financial services; AI, blockchain, the Cloud and digital/data analytics.

Innovative firms on both the buy side and sell side are now bringing these technologies together in their client facing activities and in their middle- and back-office operations functions, to build resilience, boost operational efficiency and deliver a more cohesive and interactive client experience.

The firms that are thriving in this new environment of rapid change have already made the right technology investments, enabling them to adapt and scale their services in response to customer needs. This allowed them to meet the moment and take advantage of the unique opportunities that arose from the rapid shift to digital in the new operating environment.

There is evidence that, rather than resting on their laurels, industry leaders are continuing to double down on innovation, further accelerating their lead over competitors. In the recent Broadridge Next-Gen Technology Pulse Survey of 500 C-suite executives and direct reports from financial firms globally, 53% of respondents said they are accelerating the pace of next-gen technology implementation as a result of the pandemic².



A SEISMIC GENERATIONAL SHIFT

One of the areas that has seen the greatest uptake of digital interaction is investing and wealth management. There is evidence that millennials are increasingly investing in the markets using self-directed platforms based on mobile apps, and more money has been flowing into the self-directed space.

JPMorgan, for example, has seen triple-digit growth in trading volumes through its You Invest platform as well as large increases in account openings.

However, the shift to digital is not just confined to Millennials. According to Dr. Kelli Keough, Global Head of Digital Wealth Management at JPMorgan Chase. While for younger investors, ease of use and ‘on the go’ capabilities are important reasons why they choose their financial services providers, generational differences are shrinking as older consumers have increasingly embraced digital during the pandemic.

“We often get caught in the concept of digital equals younger clients,” comments Dr. Keough. “And the reality is, all of our clients, whether they’re working with an advisor or not, are leveraging digital to interact with us, whether that’s on the banking side, whether that’s on the investing side. It’s an expectation that we have to meet.”

She also highlights that leading financial services firms have placed a strong focus on using digital interaction to support clients with the right research during the pandemic. This has helped investors make smart decisions and take a long-term view as they navigate unprecedented short-term volatility and uncertainty.

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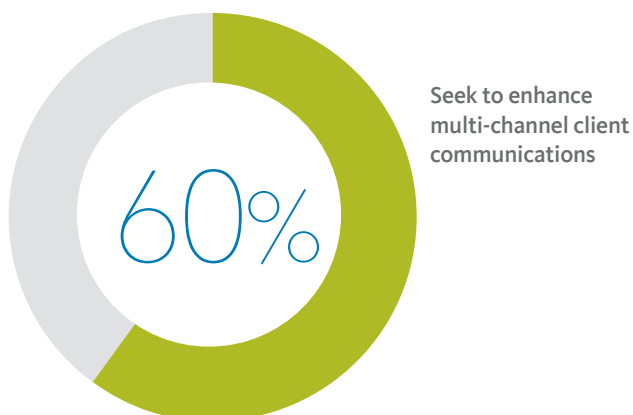
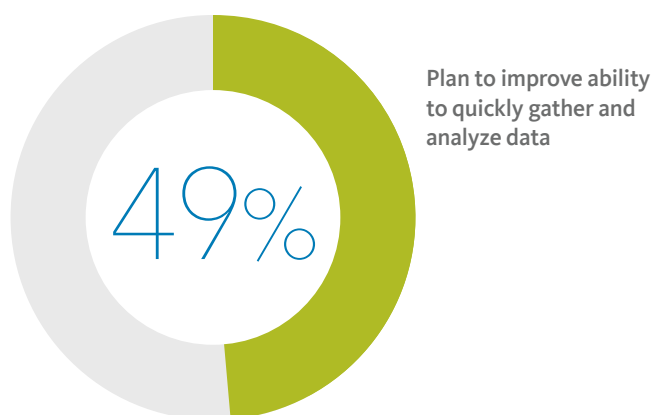
-Dr. Kelli Keough, JPMorgan Chase

² See: [The Broadridge Next-Gen Technology Pulse Survey](#)

INCREASINGLY DIGITIZED OPERATIONS AND SMART PROCESSING

As well as digitizing client-facing activities, the middle- and back-office operations functions of financial firms are also in the midst of a tectonic shift. A focus on operational efficiency and increasingly digitized smart processing in the back end is providing the foundation for a more seamless front-end client experience.

It also mirrors a wider trend across financial services; clients and employees now want more data in real time. They also want it delivered via the channel of their choice in a format that is easy to consume. As a result, 49% of respondents in the Broadridge Next-Gen Technology Pulse Survey said they are planning to improve their ability to quickly gather and analyze data, while 60% will enhance multi-channel client communications.



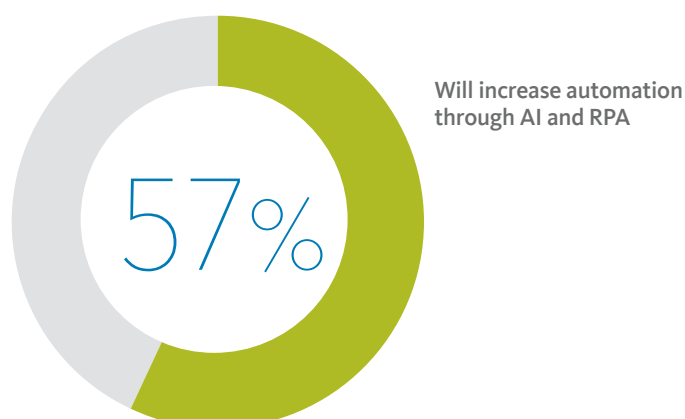
AI DRIVING PRODUCTIVITY GAINS

In addition to digitizing, financial firms are focusing on ongoing process improvements incorporating Robotic Process Automation (RPA) and AI. Firms now see these technologies as a way to reduce manual effort and achieve high levels of straight-through-processing (STP).

Increasing operational efficiency ensures good health and resilience in operations. This, in turn, drives superior front-office performance and enhances the client experience. This is particularly the case during market volatility when volumes are high and there is added strain on operations.

There has been a particular focus on reducing trade-fail numbers and improving the reconciliations process, areas where RPA and AI are providing major benefits. As volumes for specific product lines grow, heads of operations are increasingly asking what a robot can do first before looking at whether to increase headcount, according to Lisa Woodward, managing director, head of operations EMEA, Mizuho.

Automating some manual tasks through AI also allows associates to focus on higher-value work and improve their effectiveness. This is a key area of focus for financial firms, and the Broadridge Pulse survey found that 57% of firms plan to increase automation through AI and RPA in the longer term.



However, according to Woodward, firms with high levels of automation in place are now finding that they have already achieved much of the low hanging fruit in cost savings and efficiency gains. It's becoming more difficult to automate complex tasks that require greater levels of human intervention and cognition.

Ninou Sarwono, principal, emerging tech and open innovation, Capital Group/American Funds, points out that today's AI solutions should really be referred to as 'narrow AI' because they are still mostly suited only to very specific tasks. This means that, while AI is providing huge benefits, financial firms will require more sophisticated AI solutions and more innovative use cases to unlock the next wave of productivity gains in future.

BLOCKCHAIN ADOPTION GATHERING PACE

Blockchain and Distributed Ledger Technology (DLT) are gathering momentum after a slow start, as firms start to see quantifiable benefits. These include cost savings, lower friction and reduced operational risk across a range of processes.

One early adopter is Société Générale, which sees blockchain as a strategic long-term play and has partnered with a number of fintech providers on their blockchain platforms, including Broadridge.

"We're actively involved in the Broadridge DLT program for Repo in our US Treasury business," comments Michael Walsh, managing director, head of operations, Americas, Société Générale. "We expect to go live in the first quarter and to save a seven-figure sum in clearing costs."

One of the challenges around blockchain adoption is switching over to the new infrastructure until legacy platforms are ready to be retired, according to Walsh. This can pose difficulties in a highly interconnected industry like financial services where some firms may be slower to adopt the technology.

For this reason, early adopters are sometimes running in dual mode. This sees them using a new blockchain platform internally across their firm's entities until there is enough market adoption to move the wider business activity with other firms to a DLT platform. Once more participants join, the added scale and growing network effects increase the benefits of the DLT platform even further.

THE CLOUD UNDERPINS EVERYTHING

Underpinning the technology transformation described above is a more widespread move to the Cloud as firms become more comfortable with the security and privacy aspects of solutions and services in the Cloud. The Cloud has also played a huge role in firms' resilience and scalability during the pandemic, with some industry leaders now running the majority of their services in the Cloud.

"The Cloud has become a decision point for every project now."

- Lisa Woodward, Mizuho

According to Lisa Woodward, Mizuho, "The Cloud has become a decision point for every project now. When we look at the advantages of moving towards new technology, whether that's because we're looking at upgrades or deciding on new platforms, then we are looking at that as an opportunity to move away from legacy platforms and onto the Cloud."

The Cloud has also allowed firms to become more agile in responding to client needs and provided access to innovation through the tools offered by the major Cloud providers that otherwise would not be available.

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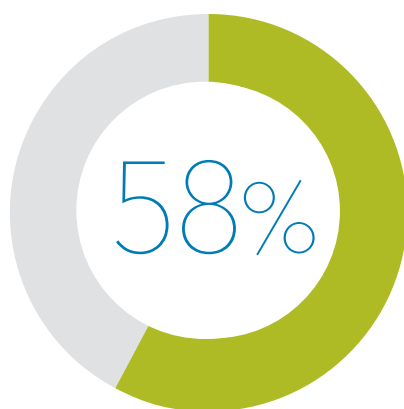
CULTURE REMAINS A KEY DRIVER OF INNOVATION

The new environment of constant change is favoring firms that have already laid the groundwork for these digital shifts and can leverage these investments to rapidly adapt and meet the moment. This is not limited to investments in technology; it also includes cultural factors, such as openness to change and a focus on continuous innovation.

According to Ninou Sarwono, principal, emerging technology and open innovation, Capital Group/American Funds, digital transformation is so embedded in the firm's culture now that, "We don't call it digital transformation anymore; we call it change. Change is now an everyday thing. It's continuous. Change that requires technology and data to be the key enablers of that change. Change sometimes will require operating model changes as well. So people, processes and structure and behaviors."

Respondents to the Broadridge Pulse survey agreed with this view, with 58% seeking to create a culture of continuous digital innovation at their firms.

This highlights the fact that in the midst of rapid digitization and home working, the employee experience is a critical component for innovation strategies. Leading firms have kept a relentless focus on the safety and well-being of their staff, while also providing associates with the right digital tools to effectively support clients, as well as personal objectives that align with the firm's innovation goals.



Plan to create a culture of continuous digital innovation

DATA SECURITY IS TOP OF MIND

Clean, centralized data is now the fuel that drives the effectiveness of next-gen technologies. However, this has brought issues around how to govern and manage client data to the fore. Firms must also comply with new and increasingly stringent data protection regulations across different global jurisdictions.

This has highlighted the importance of setting up checks and balances through dedicated data governance groups, according to Lisa Woodward, Mizuho. This includes spot checks and regular audits to ensure governance is being followed. Ninou Sarwono, Capital Group/American Funds also points out that firms are starting to leverage a range of technology solutions and techniques to assist with data security, such as advanced cryptography, zero knowledge proof and federated learning.

At the same time, according to Dr. Kelli Keough, JP Morgan, customers increasingly expect that their financial services providers will use their personal data to enhance their experience and drive personalization. When interacting with different parts of the business, they want their provider to have a holistic view of their relationship with the firm.

This balancing act means there is more emphasis on giving them control over their data. This includes offering clients the ability to give permission to use their data to enhance their experience, while being able to change their minds on how the firm uses this data at any time.

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-Ninou Sarwono, Capital Group, American Funds

LEGACY ARCHITECTURE REMAINS THE BIGGEST HURDLE TO TECHNOLOGY TRANSFORMATION

Many financial firms have evolved through a patchwork of mergers and acquisitions over the years. This has led to a spaghetti-like sea of legacy systems, often built on older architectures. These legacy systems can overlap across functions and sometimes don't communicate effectively with each other.

This complex and unwieldy systems topography can be a major inhibitor to innovation and digitization. As a result, many firms are simplifying their systems landscape to serve clients more effectively and layering on the digital experience they're expecting.

For many institutions, this has involved a multi-year journey of partnering with fintech providers to acquire or build best-of-breed platforms. Firms are also mutualizing non-differentiating functions to third-party fintech providers wherever possible to reduce costs and allow them to focus on what sets them apart from competitors.

Simplifying the technology stack can facilitate a more rapid pace of change, clearer views of data and a more seamless client experience with the customer at the center. According to Dr. Kelli Keough, this means that, "When you're building a digital experience, you're not building it three times to tap into three different back ends. Instead, you're able to build it once, use it and tailor it according to your different wealth segments, but not needing to entirely rebuild based on the legacy."

Finally, when it comes to buy versus build, firms are increasingly turning to fintech providers for next-gen technology solutions as a way to mutualize the cost of cutting-edge innovation and access state-of-the-art products and services that they could not build on their own.

CONCLUSION

Innovative financial firms have leveraged strategic investments in digital transformation as clients and consumers across every generation rapidly shift to digital. Firms that have put customers at the center and seen digital as a way to enhance the client experience, supported by a digitized and operationally efficient front, middle and back office, are best positioned to thrive in the new now.

In addition, leading firms are taking a holistic approach to technologies, such as AI, blockchain, the Cloud and digital, with a clear understanding of how the different technologies support the client journey.

They are also placing a strong focus on employee experiences and cultural factors in driving innovation, while overhauling legacy architectures, working with fintech partners and paying attention to fundamental issues, such as data security.

The pace of change is only increasing, and industry competitors are moving quickly. It is vital that leaders of financial firms have a clear next-gen technology strategy that allows them to both adapt to the current situation, while also meeting the moment as new and fleeting opportunities continue to arise.

ABOUT THE ABCDs OF INNOVATION®

Broadridge helps clients understand and apply next-gen technologies by simplifying the complex to help them be Ready for Next. We call this **The ABCDs of Innovation®**.

The ABCDs of Innovation includes a focus on AI, blockchain, the Cloud and digital - as well as the underlying data and analytics that makes them more powerful.

For more information on The ABCDs of Innovation please visit: broadridge.com/ABCDs

Broadridge, a global Fintech leader with over \$4.5 billion in revenues and part of the S&P 500® Index, provides communications, technology, data and intelligence. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

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