

# The Future of Global Custody

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Business Development  
Central Bank and Sovereign  
Wealth Funds



# OVERVIEW



Northern Trust: Our Business



The Future of Global Custody



Q&A

# Northern Trust: Our Business

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# A FOCUSED BUSINESS MODEL

Founded in 1889

Assets:\*

**\$14.8T**

UNDER CUSTODY/ADMINISTRATION

**\$1.4T**

UNDER MANAGEMENT

**26**

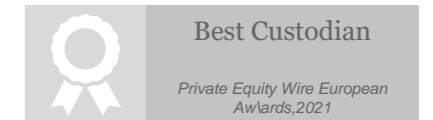
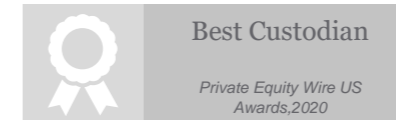
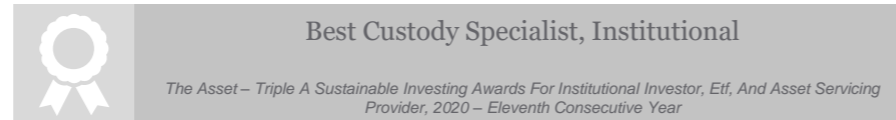
LOCATIONS

**25,000**

STAFF

## Asset Servicing

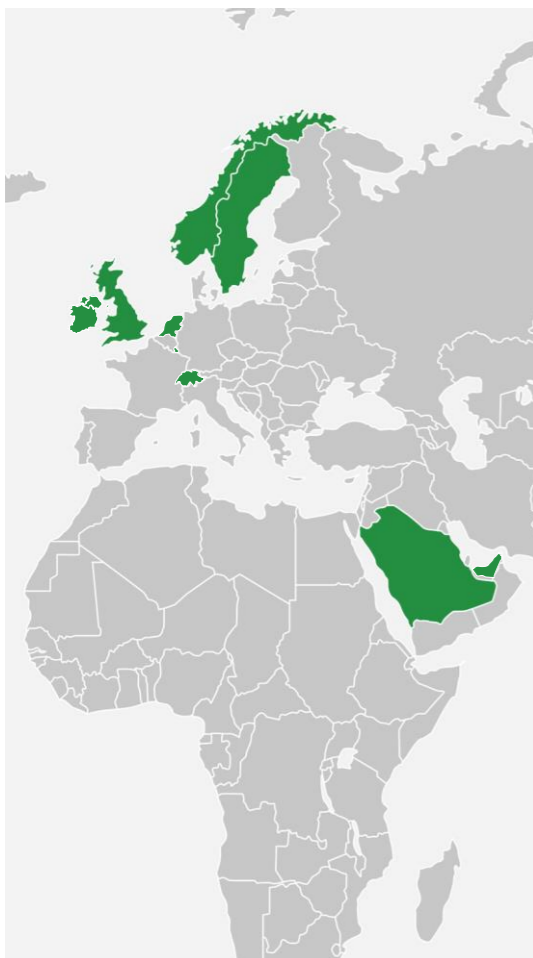
- Global custody
- Fund services
- Capital markets
- Banking services
- Data solutions



\* All figures as of March 31, 2021. Source: Northern Trust. Figures for AuC and AuM are rounded

# OUR EMEA BUSINESS

*Eleven locations and over 3,900 employees delivering asset servicing and asset management solutions to more than 700 asset managers, asset owners and family offices*



## UNITED KINGDOM

- Working with 7 of the 11 largest pension schemes in the UK
- Services include middle office solutions for the UK's largest asset managers and asset owners
- 3<sup>rd</sup> largest fund administrator

## LUXEMBOURG

- Servicing asset owners, asset managers specialising in tax-transparent funds
- Lobbied government to secure change in legislation for tax transparent funds
- First provider to launch a third party UCITS management company

## SWITZERLAND

- 30+ years experience in the Swiss market
- Asset management and asset servicing solutions for a diverse Swiss client base
- Investing in local fund administration and servicing teams

## IRELAND

- Ireland's second largest administrator and custodian by number of funds
- Centre of excellence for tax-transparent funds from hubs in Dublin and Limerick
- Expertise in servicing multinational pension pooling vehicles

## NETHERLANDS

- Over 30 years experience in servicing Dutch institutional investors and investment managers
- Specialist provider to pension funds, insurers and asset managers
- Innovative local investment and distribution support for asset managers

## MIDDLE EAST

- Servicing 11 of top 20 sovereign funds and government entities
- Servicing asset managers, owners and family offices from Abu Dhabi and Riyadh
- Bespoke investment services including Outsourced CIO and local DC solutions

## GUERNSEY

- Guernsey's largest fund administrator, custodian and transfer agent
- Recognized globally for expertise in private equity administration
- Providing offshore trustee services for institutions and individuals worldwide

## NORDICS

- Serving the Nordic region's most sophisticated investors from Stockholm and Oslo
- Clients across sectors including pension insurance, government, banking and asset management
- Delivering innovative ESG/SRI investment and asset servicing solutions

Market presence statistics updated 2020 and 2021 based on available data sources

# The Future of Global Custody

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# GLOBAL CUSTODY

*What is Global Custody?*

## Standard Custody

## Enhanced Services

Safekeeping	Sundry Asset Recordkeeping	Settlement	Cash Management	Proxy Voting	Reporting	Core Custody Tax
Network Management	Mutual / Alternative Fund Services	Reconciliation	Pricing	Settlement Embedded Foreign Exchange	Income Collections	Corporate Actions
Repo Services	Class Actions	Enhanced Reconciliation Services	Client Directed / Provided Pricing	Securities Lending	Accounting Reporting	Enhanced Tax Services for LPs
Physical Services	Client Directed Segregated Accounts	DC Retirement Allocation Tool	Client Directed Lending	External Directed Borrowing	Regulatory Reporting	Tax Transparent Fund Services

# INDUSTRY TRENDS AND HOW CUSTODIANS RESPOND

*Markets grow more complex and more costly*



**Regulatory complexity**  
Rapidly expanding and divergent regulations strain resources




**Demand for data and insight**  
Powerful new analytics raise the bar for volumes, accuracy, and strong data governance




**Pace of technological change**  
Rapid evolution makes “keeping up” a challenge without scale to invest




**Asset class digitization**  
To take advantage, investors need providers with the right infrastructure and expertise



**Efficiency and productivity**  
The paradox: efficiency is essential, yet requirements are growing more complex



**Money in motion**  
DB to DC, active to Passive (ETFs), equities to alternatives, in-house management



**Fee Pressure**  
Outsourcing options, access to liquidity, location strategy, trust fee evolution



# The Digitization of our Environment

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# THE JOURNEY TO DIGITAL MARKETPLACES

*Asset servicers have always evolved with the times*

## CERTIFICATED



### Pre-1975

- Physical certificates
- Non-Delivery Versus Payment (DVP) settlement
- High cost and high risk



## IMMOBILISED



### 1975 onwards

- Central Securities Depositories (CSD) introduced
- Immobilised in CSDs and traded in book entry form
- Delivery Versus Payment (DVP) introduced



## DEMATERIALISED



### 1985 onwards

- Securities issued and settled in book entry form
- Gradual phasing out of certificates (immobilised and bearer)



## DIGITALISED



### 2018 onwards

- First true digital issuance of securities emerge
- Blockchain technology takes hold



## DIGITAL AT SOURCE

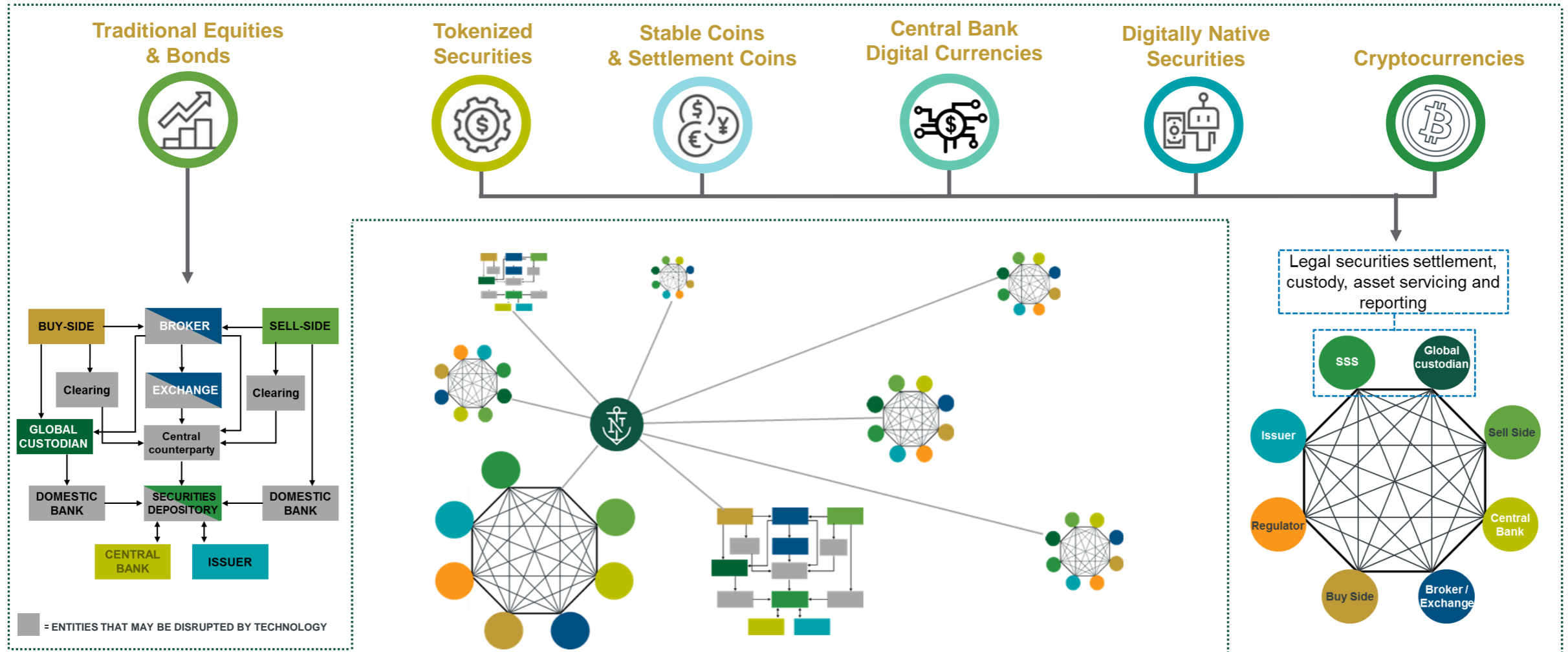


### Circa 2030

- Digital issuance of securities is the norm
- Transactions and settlement are instant
- Regulatory oversight is live via direct access to ecosystems

# THE COEXISTENCE OF TRADITIONAL AND DIGITAL ECOSYSTEMS

We are now seeing the emergence of digital ecosystems which will result in an increased number of markets in which we offer custody services








# WHAT HAS NORTHERN TRUST BEEN DOING?

*Innovating and reimagining our products and services*

## Our Experience

Our process in action – a selection of indicative projects

-  **Internal research into the blockchain and cryptocurrency begins** (Q1 2015)
-  **Live deployment of Northern Trust’s blockchain private equity fund administration capability** (March 2017)
-  **Northern Trust becomes a foundation investor in the World Bank’s Blockchain Operated New Debt Instrument (bond-i)** (August 2018)
-  **Northern Trust and BondValue Partner to Deliver Fractionalised Bond Ownership Using Blockchain Technology** (November 2019)
-  **BondValue and Northern Trust Collaborate to Complete World’s First Blockchain-based Bond Trade** (August 2020)
-  **Standard Chartered and Northern Trust partner to invest in the launch of Zodia** (December 2020)

## Strategic opportunities



### Digital Custody

Partnering to offer institutional-grade custody solutions for digital assets and cryptocurrencies



### Digital Market Infrastructure & Assets

Engaging with industry partners and regulators to advocate and lead digital innovation – eg. tokenisation



### Digital Central Bank Currencies

Investing in technology and key partnerships to support developments and evolving regulatory requirements



### Australian Stock Exchange (ASX)

Working with the ASX as their CHES system is transitioned to DLT – an opportunity for new models



### Data & Insight

Supporting alpha generation and enabling our clients with actionable insights to enhance decision making



### Artificial Intelligence

Enhancing operational alpha and empower our clients, e.g.. Robotic process automation in reconciliation exceptions

THANK YOU!

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