

Experience at hand



Maddie Saghir reports

Tim Wood discusses the recent launch of Cooper Wood & Associates, a new consultancy practice supporting the needs of the asset servicing industry

What inspired you to launch Cooper Wood & Associates?

Rod Cooper, partner at Cooper Wood & Associates, and I have known each other for many years, and we initially met when I was working as head of operations for a fund manager and Cooper was the account manager for relationship at an industry publication. Collectively we have worked for a number of top asset management and asset servicing firms and we have complimentary backgrounds, Cooper from a sales and relationship management and mine from operations and client management.

With our combined direct and first-hand experience of working at the nexus between client and supplier, our partnership is able to offer our clients a compelling proposition to help them quickly and efficiently in a wide range of services.

We decided to launch Cooper Wood & Associates for two main reasons; firstly that we have both worked for asset managers and asset servicing firms, and so we can offer a unique insight into how the buy side and sell side work. We know how to optimise the relationship between the two on both a value and efficiency level.

Secondly, we realised that while there are already consultants working in this sector, few of them have the 'in the field' first-hand experience that we do. Between us, we know literally hundreds of firms across the buy and sell side, and our strong knowledge of the market participants will help clients.

Therefore, we thought that given the pressure facing the industry, Cooper Wood & Associates will be able to provide a 'hit the ground running' experience to our clients based on our track record for delivery and results.



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What will Cooper Wood & Associates consult on and how will your industry experience help with this?

Our overarching aim is to help business managers address issues impacting their financial targets. To do this we will be assisting companies on a range of services, including operational and supplier efficiencies, revenue protection, and new business growth.

To give a couple of examples, we know that client relationship models are under pressure, particularly with so many people working from home and not being able to have the face to face contact they were used to. This means that the way firms deal with clients has changed and there is an opportunity to drive better value from your providers and to generate increased business from your clients. Many firms will need to adapt to this or risk losing valuable opportunities to drive value and business levels.

Another example is that whatever firms are paying their asset servicing provider, there is almost certainly an opportunity to reduce their costs, while also gaining better service and value from them. Similarly, asset servicing firms are often losing out on vital revenue by having over complicated fee tariffs that do not optimise the value of the services they provide and missing out on charges altogether in some cases.

We have seen several examples of this and many more, from having had direct experience on both sides we know of the various 'quick wins' that firms can implement, and it is this direct experience that we think will enable us to help our clients.

What are your main responsibilities at Cooper Wood & Associates and what do you hope to achieve there?

We have been working closely together for a while now and we work extremely well as a team. We know the challenges that firms face and we are well positioned to help them solve them, improve performance and deliver efficiencies – more quickly and more effectively than firms themselves might be able to, if they have to use existing resources that may have other priorities and demands, and without the knowhow to understand where to look for the solution.

Because of our experience and background, we also know a large number of subject matter experts who are able to consult on particular pockets of technical specialism if required.

We hope to achieve a reputation as a firm that enables companies to recognise and optimise the opportunities that exist for them to increase revenue, reduce cost and improve efficiency.

Since our recent launch, we have been overwhelmed by the positive response and by the number of enquiries we have had from both asset managers and asset servicing firms, who are attracted by our track record of direct experience, delivery and results.

Where do you see the current challenges in the asset servicing industry at the moment, what kinds of things are clients struggling with?

It is clear that everyone is having to do more with less, while still increasing revenues. Cost pressures are forcing firms to look for more ways of saving money beyond the traditional headcount cuts. I think the opportunities fall within 'three Ps' of people, process and premises which are all closely linked together.

People reductions are a quick and significant way to cut costs. However, many firms have already been doing this and are running out of places



to look. However, there are still lots of activities and functions that we are aware of that could be leveraged to still deliver substantial headcount saves without harming the effectiveness of the business.

When it comes to process optimisation, done properly, this can have a dramatic effect on costs by reducing or changing processes, activities and functions, and governance. We find that this is often overlooked as an opportunity to save costs and needs to be looked at much more carefully. This might be a forensic review of specific operational processes to reduce wasted activity. More broadly, many firms are using an operating model that was designed and implemented many years ago that may no longer offer an optimal way of operating. They might also be using out of date governance models that may not reflect the current situation nor provide best value.

The cost of suppliers, whether that is asset servicing provided to asset managers or sub-custody providers to global custodians or other service suppliers, is still a significant opportunity to renegotiate those costs and deliver better value, without harming the overall relationship. In short, whatever you are paying, it is probably too much.

As for premises, how many firms still have hundreds or even thousands of people in city centre locations, even before COVID-19? This has become more obvious since COVID-19 that the unnecessary cost of premises is causing firms to rush to revisit their near-shore and off-shore plans - and rightly so. This should be a priority and we have lots of experience in managing these kinds of changes.

What regulations do you think are causing the biggest struggles/worries for clients?

While most firms have generally adapted well to the continuous increase of regulation, the main challenge for firms will continue to be the ability to meet the cost of this regulatory compliance, while simultaneously operating in an environment of falling fees.

As regulation is likely to increase in complexity as well as volume, the struggle for clients is how to manage it effectively, while not having a detrimental impact on the speed and efficiency their businesses need to operate at.

Also, an ability to monitor and gain a deep understanding of new regulations, especially as clients move into more sophisticated investments, will



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continue to challenge firms. If you think about how long it took many firms to take the UK's Client Assets Sourcebook (CASS) regulations seriously enough, it was only after some eye-watering fines that firms started putting the right people, and enough people, into managing those regulations.

Therefore with new regulations and the impact of Brexit on the funds industry (as we await the final funds passporting rules), it is imperative that firms plan well ahead and invest appropriately to ensure they are in compliance and without it restricting their ability to operate effectively.

Don't forget, the cost of non-compliance is far greater than the cost of getting it right.

How has the COVID-19 pandemic affected the industry? Do you think it will take a long time to recover?

In light of COVID-19, the obvious thing that has changed is that people have managed to work from home far more successfully than anyone thought possible. This, in turn, questions the need for large offices in city centres going forward. Many firms have already told their staff to continue working five days a week from home for the rest of the year. Others have said that



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they will not be able to manage more than 20 percent capacity in the office, partly due to lift capacity and social distancing with desk space. The idea of hot-desking is far less fashionable than it was last year.

The effect of this will be a new way of working, a new way of managing clients, a new way of managing staff and teams, and a new way of originating new business.

As the rules relax over time, there will certainly be a staged return to work for some towards the end of 2020, but the majority will probably never return to doing five days a week in the office and the commute that goes with it. COVID-19 has shown that video conferencing and other ways of working remotely, can finally be used as part of the 'new normal' and not as the exception.

It is also worth remembering that working from home does not suit everyone and so there will be some who will form part of the groups that will return to their offices.

Another side effect has been the realisation that many activities, meetings and processes are not required which has come to light from remote working practices.

These will be under the spotlight going forward as, although many firms have said that they will not be making headcount reductions during COVID-19, it is naive to think that there won't just be twice as many in 2021 instead as the increased cost pressures really begin to impact firms.

What are the biggest opportunities right now for those in the industry?

We will be helping both asset management and asset servicing firms overcome their immediate challenges (including COVID-19), help them design and plan for the future, and using our experience, provide ways of driving value and efficiency from within their organisations, and from their supplier network.

In the particular area of vendor selection, for those firms that understand the inflection point between pricing and client relationship, then there will continue to be great business development opportunities.

However there are many examples where firms have bid low fees only to lose out to a higher bidder, and this is an area where we can help as we understand the balance required between the measurable and the abstract when it comes to the appointment of the right business partner.

The time is right for firms to put their 'house in order' and Cooper Wood & Associates is well positioned to help them do that.

Looking to the future, how do you see the asset servicing evolving over the next few years?

Over the next few years, asset servicing will be tested on several levels. It will be tested on the resilience of the operating models in use, it will be tested on how they retain and increase revenues, how effectively they can manage regulation and compliance with it, it will be tested on understanding and mitigating the risk of the products and services they offer and their profitability and above all, it will be expected to provide a better quality, better value, more efficient service to clients in a cost-effective way.

This will mean clients, providers and suppliers will need to work closely together more than ever, to better understand the need for each other to be successful, in order for both to thrive.