



Asset Servicing

*Identifying The Importance Of
A Tailored Custodian Partnership
In Unprecedented Times*

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As we continue to navigate through the COVID-19 global pandemic, it is difficult not to draw on similarities from the economic downturn in 2008. Twelve years ago, we watched companies brace themselves for the uncertainty on what laid ahead for their businesses and how, when, or if, they should shift strategies once the economy recovered.

While the similarities to COVID-19 and the 2008 market downturn likely ends here, given the unpredictability of whether there will be second or subsequent waves – which could wreak havoc on financial markets, we now must accept that there will be a ‘next normal.’ As we move forward, it is becoming more evident that choosing a stable trustee and custodian partner to align with is paramount in supporting future asset growth. Institutional investors should align themselves with a custodian partner that.

- offers a fully integrated and automated systems with real-time reporting
- is flexible in its service delivery
- has rigorous internal controls to provide accurate and timely reporting – ensuring institutional and high net worth inves-

tors have the ability to act swiftly

Automation And On-demand Transparency

Institutional investors are often linked to a host of investment associates, including investment managers, advisors, investment consultants, and custodians. All are necessary in the investment process; however, the requirement for a stable custodian is becoming more apparent, specifically for a custodian’s ability to ensure the preservation of assets and to settle and process transactions with timely reporting within a solid risk averse framework and a robust real-time technological systems.

Given today’s environment of economic uncertainty, the demand for enhanced transparency is becoming more important. According to a recent study conducted by CWB Financial Group’s economic research team, with a vast increase in the money supply, the next expansion cycle is likely to see a rise in price of commodities and equities. Bond prices are less likely to rise, noting the elevated government debt together with historically high bond prices. To the extent that these policies cause higher inflation in commodities, the ideal investment portfolios will substitute bonds with commodities (*See Exhibit 1*).

If this investment trend continues and proves to be accurate, it is important for institutional investors to engage with a stable provider that has the technology infrastructure to support evolving institutional portfolios.

Tailored Service Delivery

Service delivery is perhaps the most important resource that a custodian can provide. The implementation of a developed and tailored relationship management structure – one that focuses on their clients current and future needs, is required in order for clients to adapt during economic uncertain conditions.

Relationship management has recently evolved in asset servicing providers; their approach has become more segmented and rigid. Most custodians are now distinguishing their clients by revenues or the amount of assets under custody provided to them. Instead, service delivery should now be focusing on a mutual set of goals with a client's ability to connect with a team that understands their account structure, while not being re-routed to a call centre environment.

Today's custodian needs to concentrate on two objectives that are jointly important to their clients. Firstly, we believe the key to any successful relationship is a well thought-out and executed communication strategy with a flexible approach. Proactive client service teams should consult with their clients from the onset of the new partnership, during the onboarding process, in order to determine the most effective communication strategy – committing to an on-going and regular flow of communication.

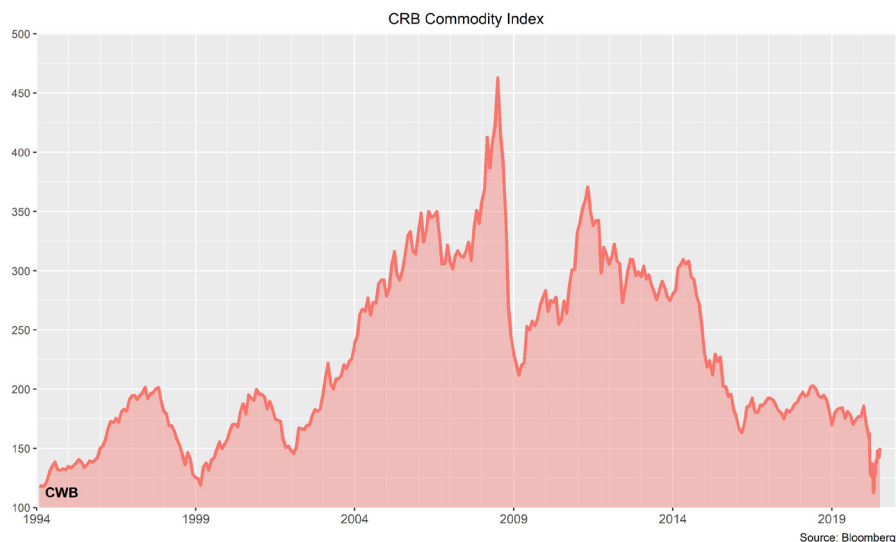
Secondly, we believe that every client deserves a skilled relationship management team who will ensure that their account operates as efficiently as possible. The benefit to clients translates to a highly knowledgeable and engaged staff that not only has expertise in client specific inquires, but is able to offer quick and accurate responses.

In any existing or new partnership, institutional investors should consider:

- Was the onboarding process risk averse and well managed?
- Was my client service team leading the conversion?
- Was the trust/custodial agreement a mutual negotiation?
- How responsive and timely is my client service team?
- Am I dealing with a call centre or 'hub' for client service rather than a dedicated service team?

The answers to these questions will enable

Exhibit 1



clients to determine not only if their partner is focused on the success of their clients, but also unearth how flexible their custodial partner is when navigating through current and future economic uncertainty.

Timely and Accurate Reporting

Shifting investment strategies and asset allocation during uncertain economic times brings with it, its own set of implications; however, the ability to liquidate distressed securities can be a highly effective strategy for investment advisors, managers, and consultants. This is precisely why a custodian with a robust and real-time custody platform can enhance their value to their clients. Institutional investors should seek a custodian with a single, integrated technology platform, which ensure that the provider offers their clients accurate and timely data.

The technology environment should also offer clients with examples of their strong risk and governance structure. Institutional investors require accurate data in order to make timely investment decisions, while determining what or how any regulatory changes would affect those decisions.

A recent CWB Financial Group study questions the traditional 60/40 stock/bond portfolio. Emerging trends indicate that bonds are now less pertinent in the 40 per cent and commodities or alternative investment strategies are now providing greater value. With that trend in mind, institutional investors and plan sponsors should seek a custodial partner that distinguishes its system from the competitors by its ability to deliver timely and accurate portfolio information in real-time; where practical – 365 days a year without using multiple systems while doing so.

A single, well-established multi-currency platform enables institutional investors, plan sponsors and their investment managers to access all information and reports required to effectively administer, manage, evaluate, and, perhaps most importantly, shift investment strategies in a timely manner.

Identifying The Values Of A Trusted Partner

Attempting to determine how to navigate through the next economic crisis will be difficult to prepare or to forecast. It is evident that the role of a trustee and custodian has evolved since the 2008 economic downturn. With that, there are three key values for institutional investors to bear in mind when aligning with trustee and custodian:

- Does your custodian offer fully integrated and automated systems offering real-time reporting?
- Is your trustee or custodian flexible in its service delivery?
- Does the custodian provide you with accurate and timely reporting enabling you and/or your investment managers with the ability to act swiftly?

Consider the questions above as a self-health assessment of your custodial needs. The answers will assist institutional investors and plan sponsors with the ability to understand if they have aligned with a provider that is obsessed with its clients' success in current and future economic uncertainty. **BPM**

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