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Industrialization of Asset Servicing
February 2021

With you today

Deloitte Speakers



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Industrialization of Asset Servicing

Agenda



Strives in digitalization and differentiation from competitors are driving the industrialization of the Asset Servicing industry

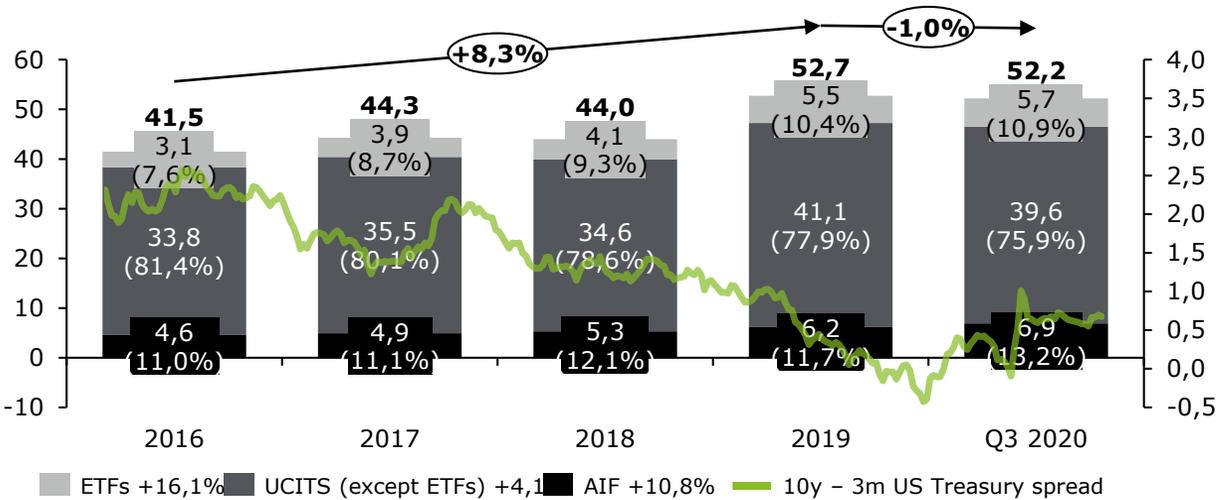
1. Asset servicing winners have been boosting their operating margin thanks to investments in technology
2. Understanding asset managers' strategic priorities is a key component of asset servicing success
3. Asset servicers differentiate themselves from their competitors thanks to a broad range of non-exclusive strategies leveraging technology innovations, offshoring and services diversification



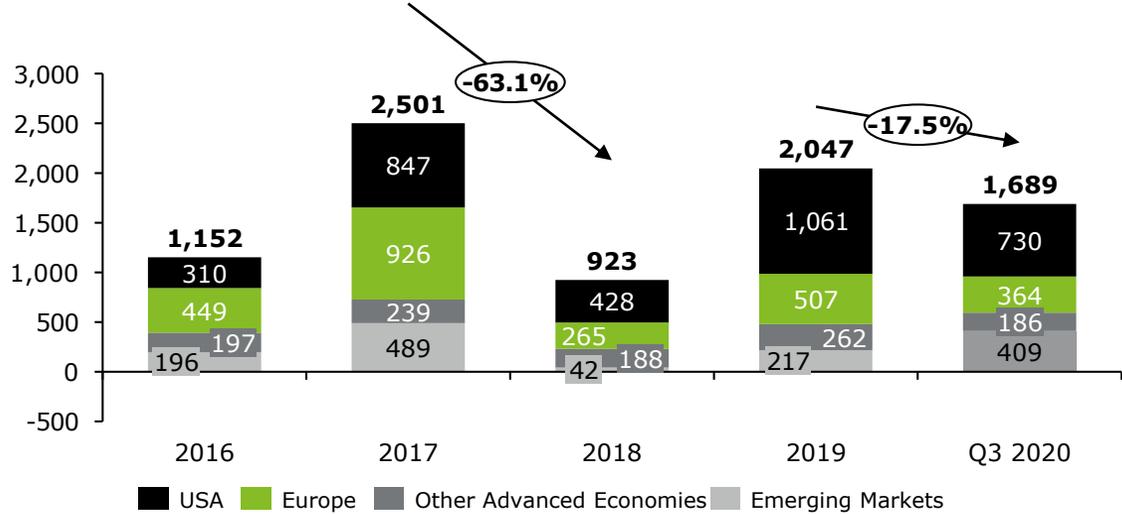
Deep-dive on the Tax Reclaim activity

Despite the strong worldwide growth in net AUM triggered by increased investments in ETFs and AIFs, COVID-19 negatively impacted AUM in 2020

Net AuM in the fund industry at world level
(EUR tr)



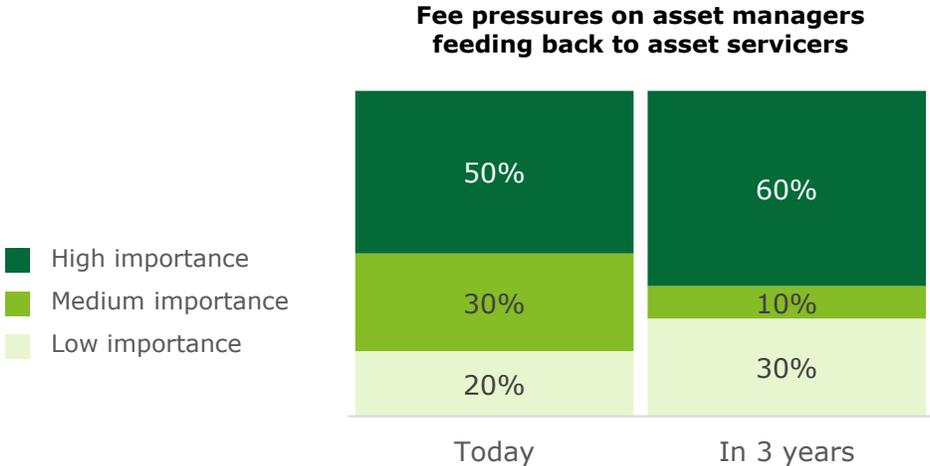
Net Sales in the fund industry at world level
(EUR bn)



Cost pressure is one of the major challenge for asset servicers, pushing them to innovate to create added-value services and thus increase fees

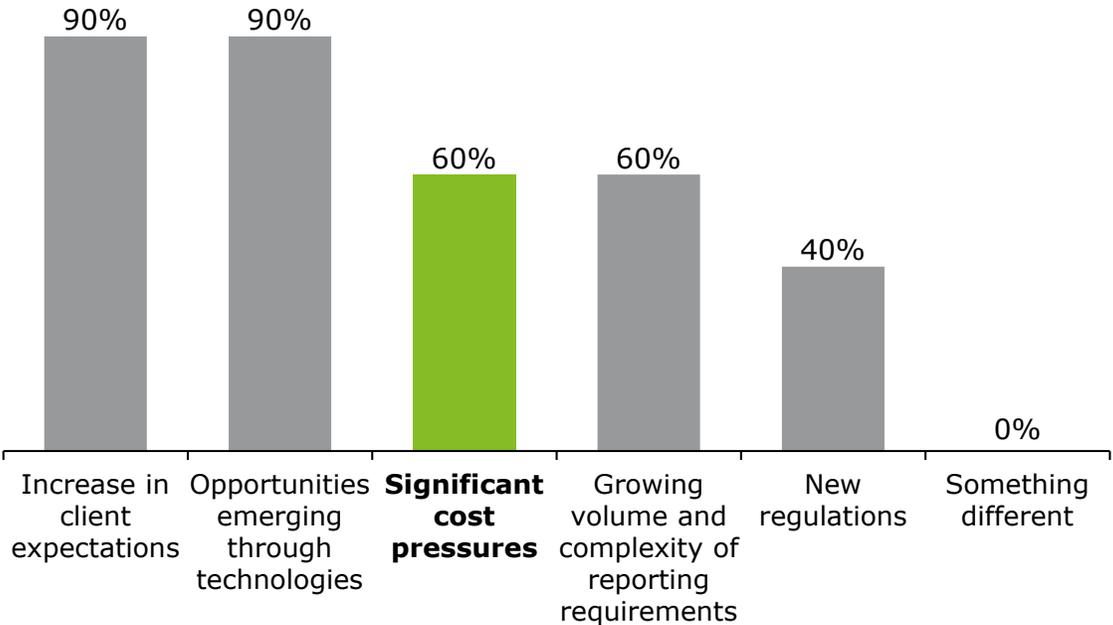
Asset servicers are strongly pressured on their fees, with investors not ready to support higher fees

What are the asset servicing market's main challenges today? (rank from most important to less) - % of respondents



Thus, they are turning towards innovations in order to relieve the pressure

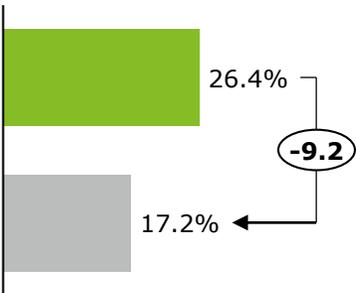
What do you view in the market as the key drivers of innovation? - % of respondents



Major investments in equipment and technologies are the differentiating element between asset servicing winners and laggards

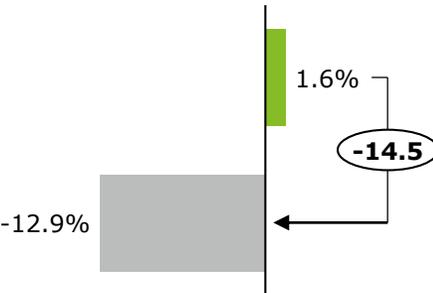
Who are the asset servicers winners?

Operating margin (2019)



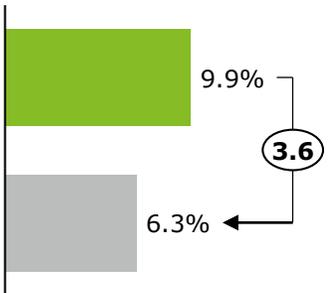
«Winner» asset servicers present a higher operating margin on average (+9.2%)

Operating margin CAGR (2015-2019)



«Winner» asset servicers grew their operating margin with a positive growth rate over the last 5 years

Average spending on equipment (% revenues)



«Winner» asset servicers are investing more in technology to streamline their operations

■ Winning firms ■ Underperforming firms

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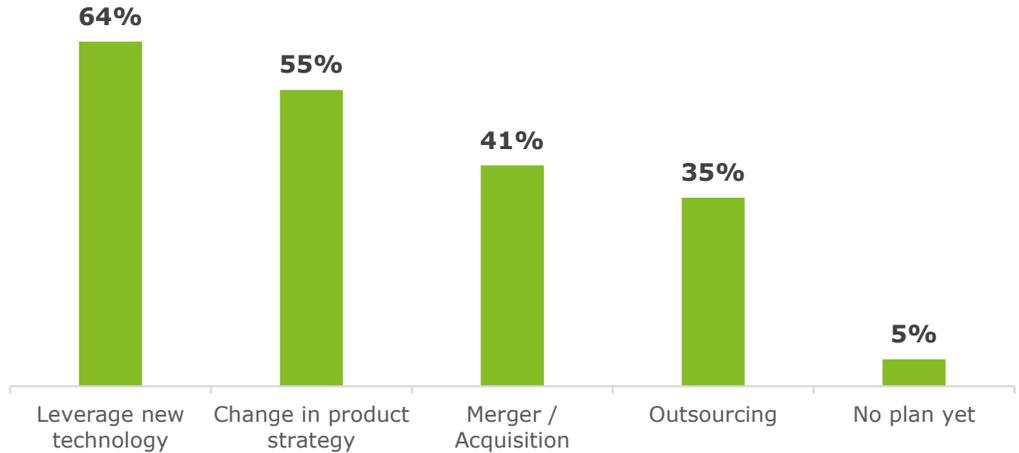
Deep-dive on the Tax Reclaim activity

Asset Managers seek to minimize costs and improve their operating model, and plan to achieve their objectives through technology

What are Asset Managers' strategic priorities in the next 2 years?



How will Asset Managers achieve their priorities in the next 2 years?

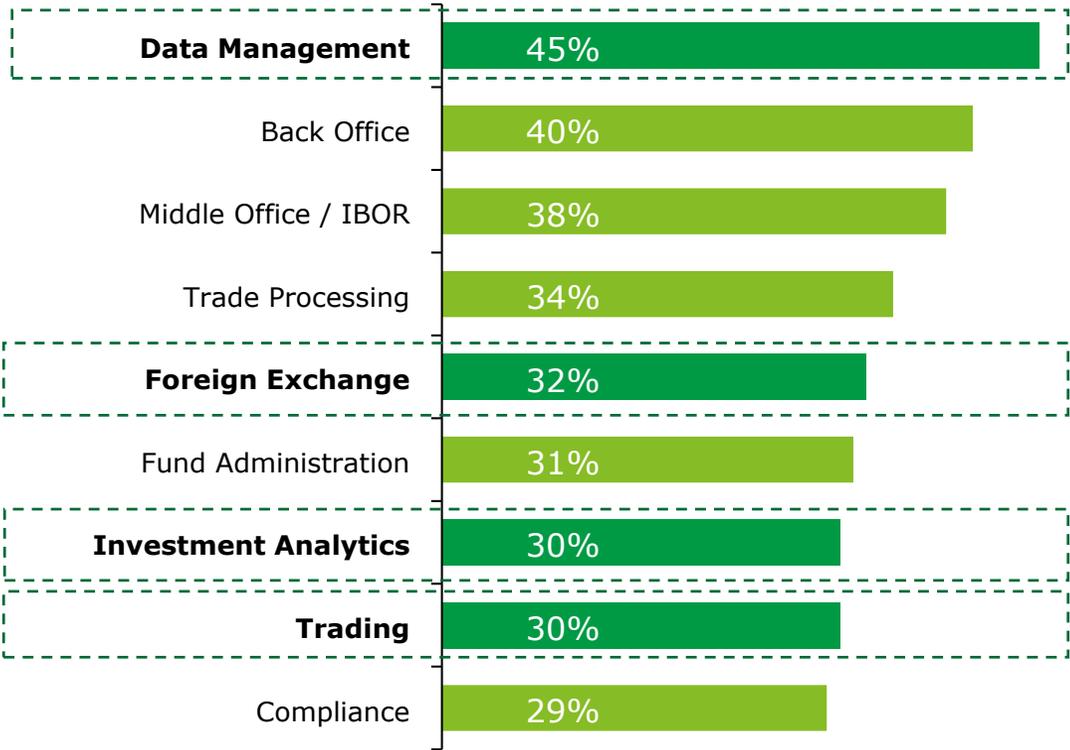


Asset Manager have recognized the part that technology plays in enhancing their operational efficiency

Asset Manager are still realizing the benefits that can be gained by acquiring competencies or partnering with external providers to outsource their business processes.

Data and analytics are emerging as key outsourcing trends for Asset Managers, forcing Servicers to strengthen their digital capabilities

Asset Managers target outsourcing areas in the next 2 years



 New outsourcing market trends

Asset servicers underappreciate how much Managers value digital capabilities when choosing a Service Provider

Asset managers' main criteria when choosing a service provider, according to asset servicers vs. main drivers for selecting specific providers per activity/products, according to asset managers (2019 survey on asset managers)

Asset servicers' view



Asset managers' view



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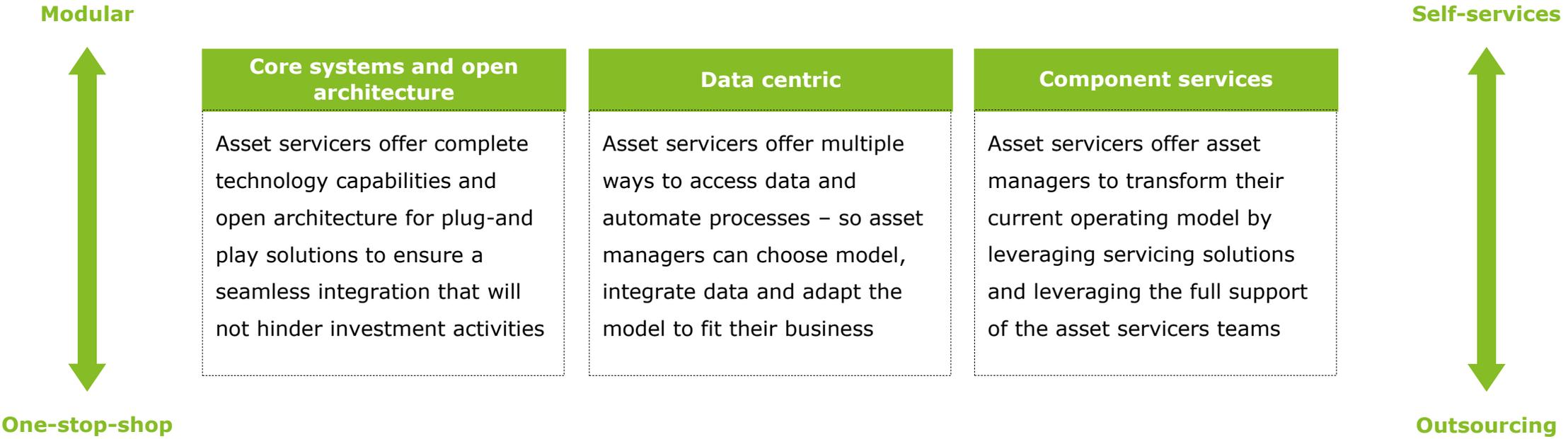


Deep-dive on the Tax Reclaim activity

The three pillars supporting the creation of a Center of Excellence



Asset servicers goal is to build complete technology capabilities and open architecture services to offer plug-and-play solutions and scalable integration to asset managers...



Seamless outsourcing and integration are allowed by key innovations

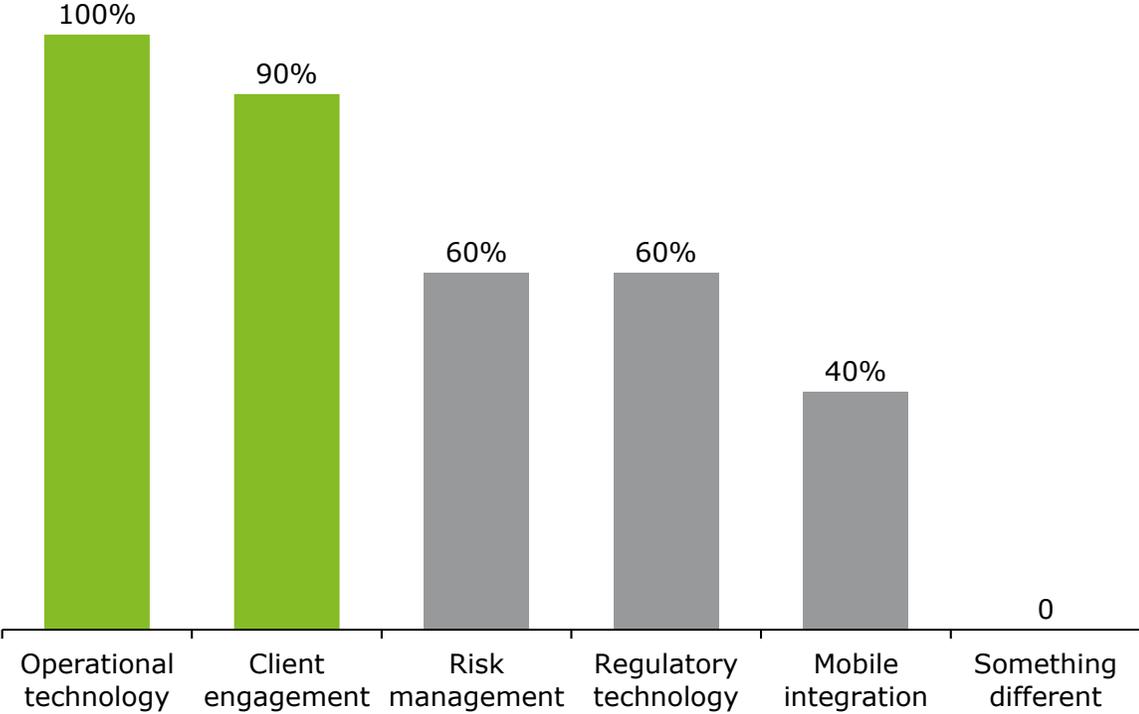
 **Dedicated resources allocated to clients**
Better connectivity and extended managed services allow asset servicers to provide and share resources with their asset manager clients

 **Integration between Servicer-Client systems**
Asset servicers provide their clients with dedicated interfaces. By “plugging” into the asset servicer’s system, there is no need for the asset manager to host its own

Asset servicers have organized their capabilities to conduct diversified innovation projects focusing on operational technology and client engagement

Most innovation projects currently carried out focus on operational technology and client engagement ...

What type of innovation projects do you currently conduct?
- % of respondents



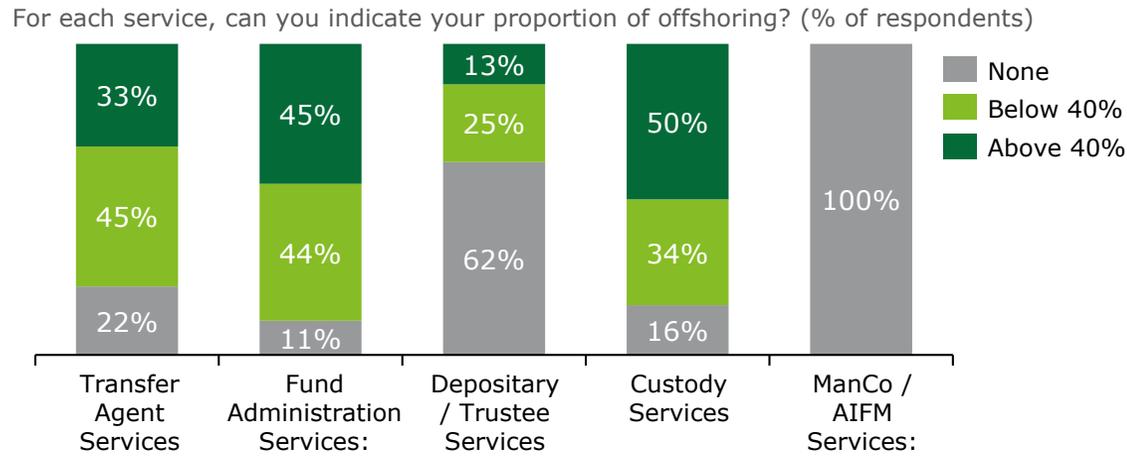
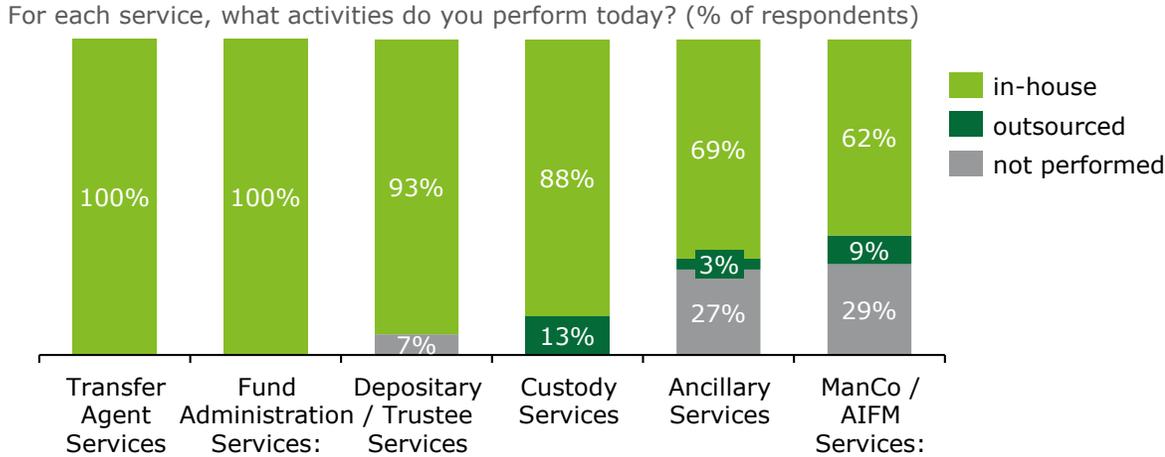
... and mainly use robotics and cognitive automation

What tools are you using to carry out innovative initiatives?

-  **Robotics and Cognitive Automation (80%)**
-  **Artificial Intelligence (60%)**
-  **Cloud Computing (60%)**
-  **Digital communication channels (60%)**
-  **Data lake / Warehouse (60%)**
-  **Blockchain (50%)**

While most of their activities are currently performed in-house, asset servicers are utilizing offshoring in greater proportion

Traditional asset servicing activities mostly remain in-house, but can be offshored for cost efficiency



The Asset Servicing business model is likely to evolve towards stronger optimization and externalization

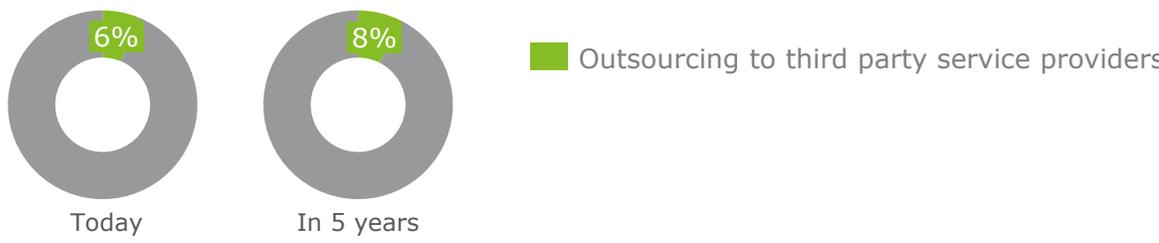
How do you plan to face current or upcoming challenges / areas for growth?

Process optimization/lean management
(considered as a way to face current and upcoming challenges by **90%** of asset servicers)

Review operating model by outsourcing some operations
(considered as a way to face current and upcoming challenges by **50%** of asset servicers)

Offshore to low cost location
(considered as a way to face current and upcoming challenges by **40%** of asset servicers)

What percentage of your investment budget do you plan to allocate to outsourcing to third party service providers today and in 5 years?



Expertise and flexibility in the offering are key differentiators amongst Asset Servicers, while expansion of the value chain is a prerequisite to capture growth

Asset servicers are consolidating their current capabilities ...

What are, according to you, the most important criteria for asset managers when selecting an asset servicer?

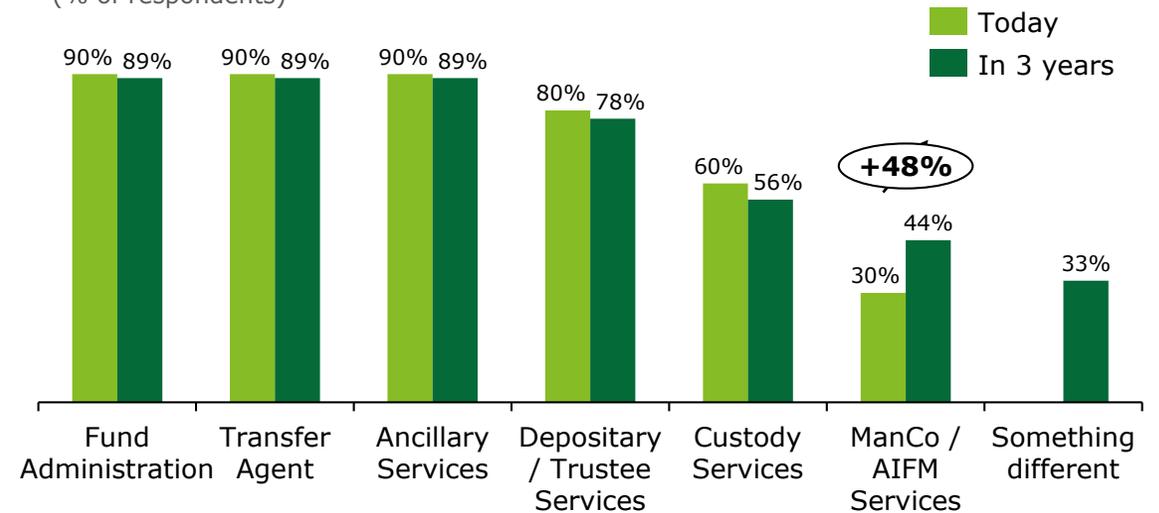
70%

Of asset servicers consider **expertise** among the top 3 most important criteria asset managers consider when choosing an asset servicer

On the other hand, **one-stop-shop** solution is not viewed by asset managers as a criteria of high importance when selecting a service provider

... while developing front and middle office functionalities to capture new clients and increase revenues

What activities do you perform today? Which one do you plan to perform in the next 3 years?
(% of respondents)



How do you plan to face current challenges / areas for growth? (multiple choice)

60%

Of asset servicers consider **expanding within the value chain to offer front-office services** to be a solution to face current and upcoming challenges of the asset servicing market

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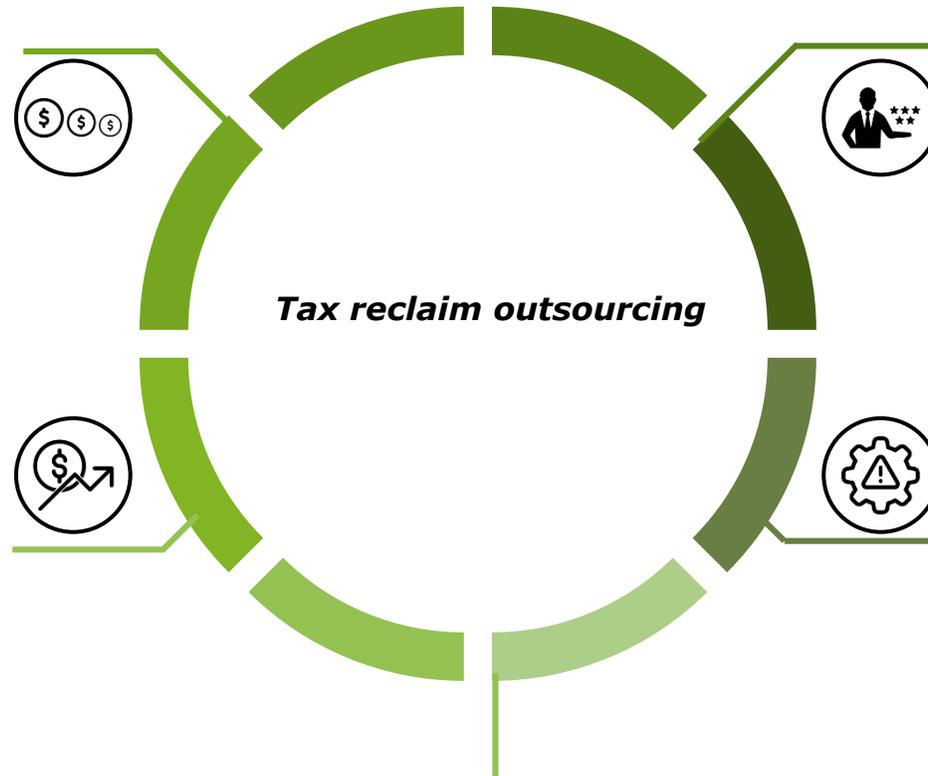
What are the most common challenges identified by our clients on the tax reclaim activities?

Lower production costs

- Reduced **cost of tax knowledge** (no need to maintain a network of tax experts)
- Reclaim services at **lower cost**
- **Higher scalability** thanks to extensive client and geographic coverage at lower cost
- **Optimized processes** as a result of 15 years of managed services experience

Enhanced revenues

- Increased **client retention**
- As the client reclaims money, the service can be sold to clients
- Focus your experts on **added value tax services** (e.g. tax advisory)
- **Extended coverage or new services** than can be sold to clients



Operational and strategic smoothing

- Available resources to focus on **core activities**
- Reduction of **headcount**
- Outsourcing of a **complex, cyclical activity** that requires a high level of knowledge
- No need to maintain a **complex international network** of lawyers and tax experts

Improved client service

- Claims recovery in a **large amount of markets**
- **Proactively managed** and respected deadlines
- **Optimized reclaim success** and files of high quality
- **Dashboarding and reporting** capabilities

Reduction of risks

- **Minimization of compliance risk** by leveraging worldwide network of seasoned tax experts
- **Reduced reputational and operational risks** thanks to automated processes, secure management of confidential data, proven tax expertise, etc.
- **Market knowledge** of Financial Tax Authorities (e.g. forms, processes, e-filing)

Our success factors put us in a unique position to serve you



PSF status

Professionnel du Secteur Financier

We may offer a unique regulated outsourcing. As a PSF we are subjected to several regulatory obligations (e.g. on Anti Money Laundering, on professional and data secrecy, obligation to collaborate with tax authorities). We are also ISO certified (ISO 27001 and ISO 22301).

This ensures **confidentiality of data** and **transparent business processes**.



Global coverage

We can serve beneficial owners domiciled in more than 100 countries and investing across multiple geographies.

We possess **in depth knowledge of tax reclaim processes on a global scale**.



Extensive BOs coverage

We implement tax reclaim processes for a variety of legal entities (currently more than 30), and have a solid knowledge base to expand our scope.

We know how to successfully initiate finalize **tax reclaim processes for multiple investors' types**.



Center of Excellence

We are a center of excellence, capable of leveraging on local as well as offshore competencies.

The mix between **centralized and offshore services / capabilities, uniquely positions us** in the market.

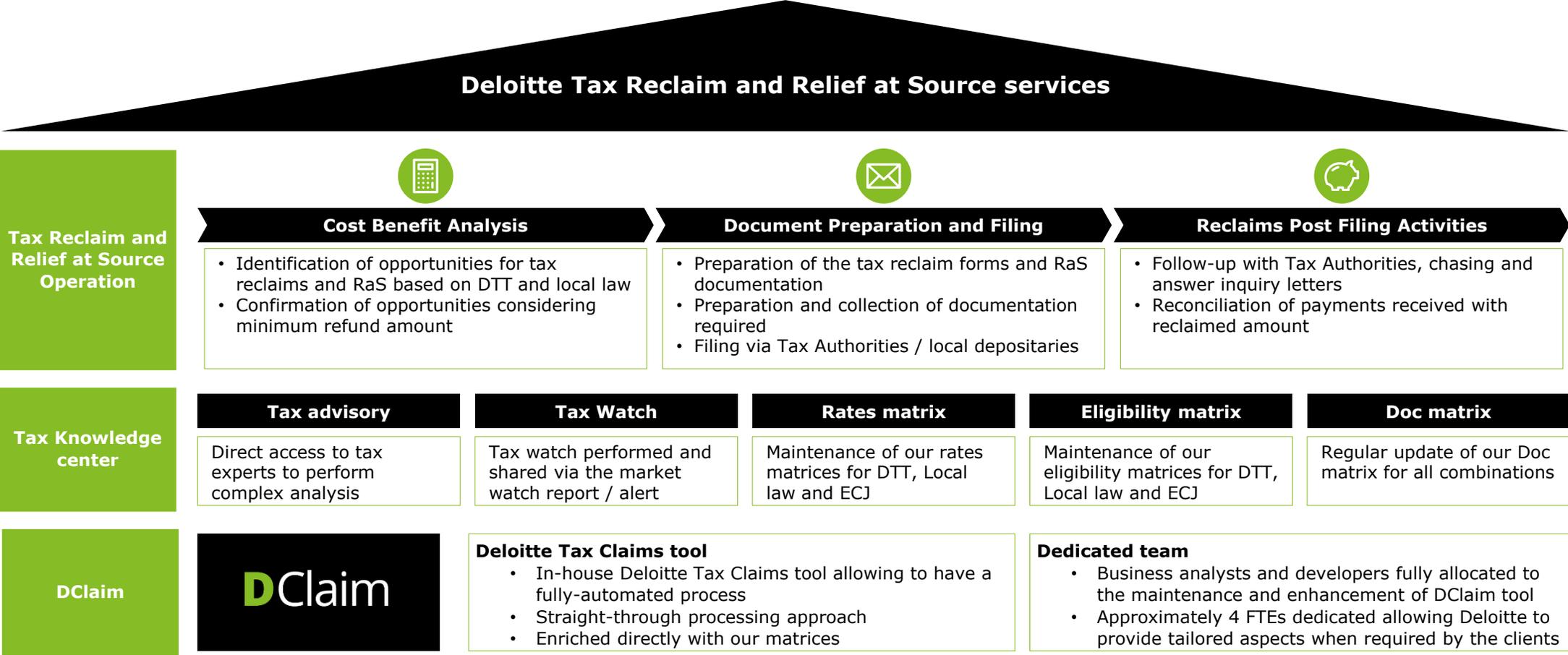


Integrated system

We developed an integrated system whose components support the current processes and can be adapted to embrace new undertakings and operations.

We implemented a **flexible business model** supported by a **secure and adaptable IT infrastructure**.

Our Tax Reclaim and Relief at Source operating model was designed to ensure access to tax expertise, a rigorous maintenance of our matrices, a lean end-to-end process and a high level of flexibility with our in-house developed tool



Our Market Tax Watch & Withholding Tax Doctor help your clients to detect and explore missed opportunities to reclaim

- Today financial institutions face increasing challenges with their Withholding Tax operations, resulting in inefficient or inadequate tax reclaim opportunities coverage.
- The Withholding Tax Doctor can perform a complete review of your clients' income cash flows and provide information on incomplete or missed opportunities: Private Individuals, Investment Funds and many different structures are covered in a wide variety of markets.

Withholding tax doctor tool

Provides an assessment of the exact perimeters of eligible transactions



Present reclaim opportunities and gives a description of local requirements



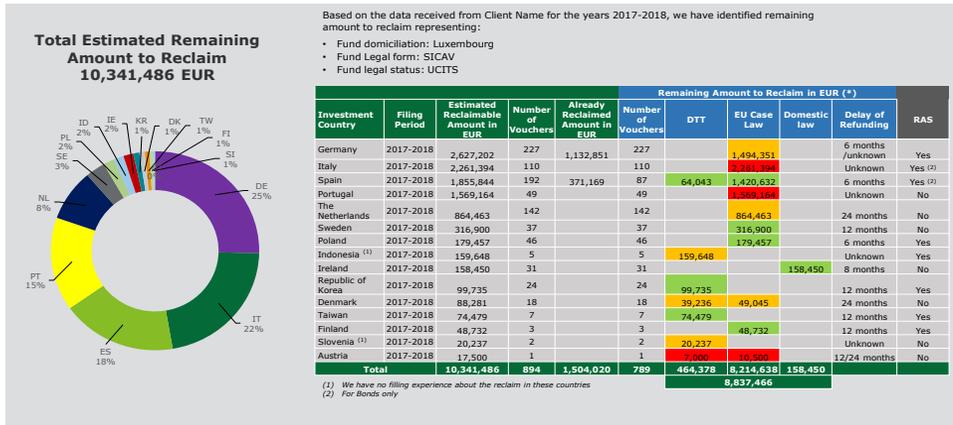
Enables to launch discussion with clients and management



Features & Benefits

- A single data interface for all **Double Taxation Treaties, EU Case Law, Relief at Source and Domestic** regulations
- A report containing graphical outputs for communication with your clients
- Your data is processed through a FINMA compliant entity of Deloitte in Switzerland
- An opportunity to outsource any withholding tax reclaims via our managed service offering

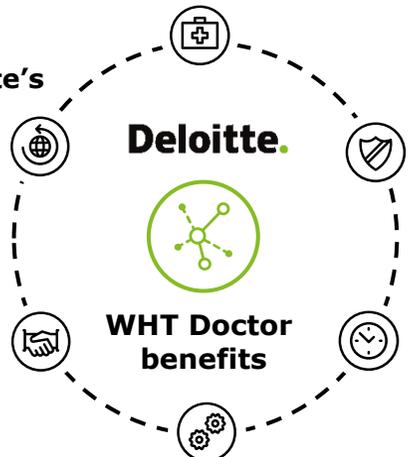
Tax Reclaim Opportunities – Cost Benefit Analysis General Overview



Health Check on your current operations

An access to Deloitte's network of experts within every single investment country

Provide enhanced service offering and coverage to your clients



A protection of the fund management board and wealth

Treatment of opportunities up to 6 years in arrear depending on statutes of limitation

Minimized operational complexity





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