

HOW A CUSTODIAN STARTED UP A FINTECH SOLUTION FOR CIOs

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Asset allocators struggle to harness portfolio data in a way that efficiently and effectively supports their investment process. Comprehensive, high-quality, nimble and accessible data: that's the objective. Most asset owners find themselves at an inflection point with their infrastructure, and need to modernize quickly.

With sizeable allocations to illiquid assets that aren't traded on an exchange, such as private equity and hedge funds, real estate and other alternative investments, mission-driven organizations have unique needs that are not supported in an efficient way by asset servicers - whose systems were designed and built for more traditional investment classes. An incomplete data model means investment professionals are forced to spend valuable time enriching the positions with data, cobbled together from multiple sources. Teams spend a significant amount of time gathering this data on their alternative investments, scrubbing it, and formatting it to build risk and liquidity profiles that support portfolio stress-testing, exposure analysis, and forecasting.

As COO at Emory University, Melanie Pickett had first-hand knowledge of the difficulties in managing complex data sets. In speaking with colleagues at other organizations, Pickett found they had the same issues. Recognizing how many hours went into the data gathering and clean-up process, Pickett knew there had to be a better way.

From this challenge an idea was born: find a solution that would address not just the data issues, but one that offered insights backed by expertise. An initial review of the marketplace resulted in the realization that there wasn't any one solution to the problem. There were software packages that could address one aspect or the other, but not a single holistic solution that would take the bulk of the work out of their hands and offer actionable insights.

What Does a Custodian Offer that a Fintech Does Not?

That brought Pickett to Northern Trust. What did the 130-year old custodian offer that a start-up technology firm did not?

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- Reputation for excellent client service and long-standing client relationships meant they would stand behind their commitment;
- Trust and confidence of a leading-edge client base that was happy to be part of building a solution;
- A culture that espouses the hallmarks of Service, Integrity and Expertise; and
- Experience with the challenges affecting institutional investors, particularly purpose-driven organizations. Fintech firms may know software, but they don't have the client service model or the operational expertise and breadth to service relationships on an ongoing basis.

How Did Northern Trust Front Office Solutions Get it Done in Two Years?

Pickett and her team were able to launch a platform with industry leading capability in just two years – how?

It started with the right leadership. Pickett's insights as a former COO who had walked in the shoes of the client enabled the project to hit the ground running. That experience and Pickett's network allowed Northern Trust to gather significant and meaningful input from clients and prospects who wanted to see a better solution in the marketplace.

Next, Northern Trust's human-centered design team was engaged to bring a fresh approach to the challenge. By thinking outside the traditional custody model, looking at the problems with a new lens, and seeing the issues from the client's perspective, the solutions became more obvious. Starting from a blank screen, Pickett's team met with 40 clients to ask them what their "must haves" were. Multiple planning sessions, interviews and iterations ensued until they hit upon the right model.

This led to the next decision, to pick a software partner that would help speed up development. Northern Trust integrated Parilux software into its newly designed and proprietary, cloud-based web application to create an integrated digital and service platform that can help enable smarter investment decisions across a spectrum of asset classes.

Last, Pickett hand-selected a service team from both inside and outside the company that would flexibly support the most challenging asset classes, service clients in a thoughtful, engaging and dedicated way, and onboard clients onto the application with ease.

This human-centered design approach has allowed Northern Trust Front Office Solutions to develop a solution that keeps the client at the forefront. The result is a unified platform designed "by asset owners, for asset owners" that enables data integration, team collaboration and portfolio analysis, which will improve the investment process of the world's most complex asset owners and allocators.

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