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## LOOKING AHEAD:

Northern Trust's EMEA head

Teresa Parker sets her sights on growth

## 2019

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# Northern Trust's Parker eyes European growth



Some fifty years after Northern Trust set-up its first European office in London, **Teresa Parker**, the chief executive of the group for EMEA, said the firm is still looking to grow in key markets such as the Nordics and the Netherlands. By **Luke Jeffs**



In her third year as the London-based head of Northern Trust's various interests in Europe, Middle East and Africa, Parker is also dealing with macro-trends such as the need for greater diversity in the workplace and the impact of new technology.

Parker is a Northern Trust lifer who started at the firm in 1982, moved to London in 1994 and assumed the top European job in the middle of 2017.

She wasted little time in stamping her mark on Northern Trust's European business by completing in October 2017 the acquisition of UBS Asset Management's fund administration units in Luxembourg and Switzerland.

Reflecting on her time in charge of EMEA, which included most of the fall-out from the UK's 2016 decision to quit the European Union, Parker told Global Investor: "During that time, the franchise has done really well and grown nicely throughout the organisation, and that has been on top of an interesting geopolitical situation."

The UBS deal in late 2017 significantly increased Northern Trust's presence in Luxembourg which became in March 2019 the location of Northern Trust's EU bank, a response to the uncertainty around Brexit (see box).

Despite the Brexit turmoil, Parker and her team are working hard in some of the key European markets.

"We've done incredibly well in the UK and Ireland and we want to maintain our position there. We've also focused a lot of resources on continental Europe. The acquisition of UBS fund services doubled our size in Luxembourg and added a Switzerland presence, where we are now the largest fund administrator by assets," Parker said.

"We're growing nicely in the Nordics and the Netherlands. We have the resources in continental Europe and we are focusing on growth there."

Parker leads 3,500 staff across 11 locations including offices in Abu Dhabi and Saudi Arabia, which are also yielding growth.

Parker said: "Investors in the Middle East have become much more sophisticated. Whereas they used to prefer that they were serviced from either

London or the US, they have actively been working with us to move servicing closer to them in the region.

She added: "We have a Saudi office that we've had open for five years, which we are growing considerably. We're doing well in Kuwait as we spent a lot of time there, but the biggest change is we've moved services there from the US and London and that's

not only the relationship management but some technical folks working on investment risk and analytics, performance measurement and compliance."

Parker concluded: "We will see both the Middle East and continental Europe grow further over time. We think there's a great opportunity there for the product set. The biggest testimony is clients telling us we are different

“ We made the decision after the vote that we had to move the headquarters of that EU bank. Instead of creating a new Luxembourg based bank, we were able to move the bank's entity from London to Luxembourg. ”

## Northern Trust and Brexit

### What challenge did Brexit pose for Northern Trust?

**Parker:** "Our EU bank was headquartered in London that allowed us, through the financial services passporting system, to be able to serve EU clients across the continent. When Brexit came up and the indecision was there, we couldn't wait to find out what was going to happen.

"So we made the decision after the vote that we had to move the headquarters of that EU bank. Instead of creating a new Luxembourg based bank, we were able to move the bank's entity from London to Luxembourg."

### Why Luxembourg over Dublin?

**Parker:** "It would've been maybe efficient to put it in Dublin, but it would not have been strengthening us. In Ireland we are the third largest (and I think soon to be second largest) custodian, but what we said is this is an opportunity to think strategically. We want to put resources in continental Europe with the idea that we want us to grow it. If you want to grow, you have to invest.

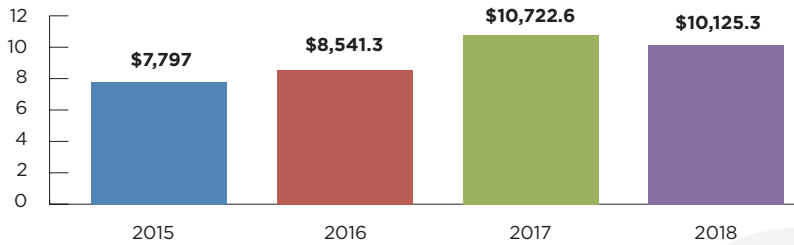
"Going back to our areas of focus, continental Europe is a place that we think we should do more on. If we go back to that continental European strategy and our plan to put resources there, we increased the executive presence in Luxembourg and added a significant amount of management resource, including a CEO of that bank in Luxembourg, a CFO and a new compliance officer."

### What is the latest?

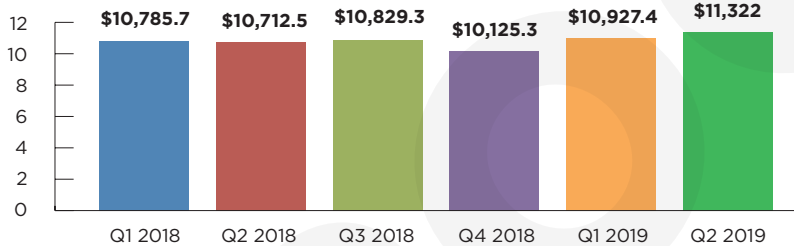
**Parker:** "London remains our regional headquarters with our EU bank headquartered in Luxembourg and we have developed a significant executive presence in both Luxembourg and in Ireland.

"The big thing that we focus on with Brexit is the macro and economic impact, so that is the geopolitical risk that we're paying attention to. We have also been working with our clients to ensure that they're structured and ready for the Brexit situation, and their products are in the right locations with the right structures."

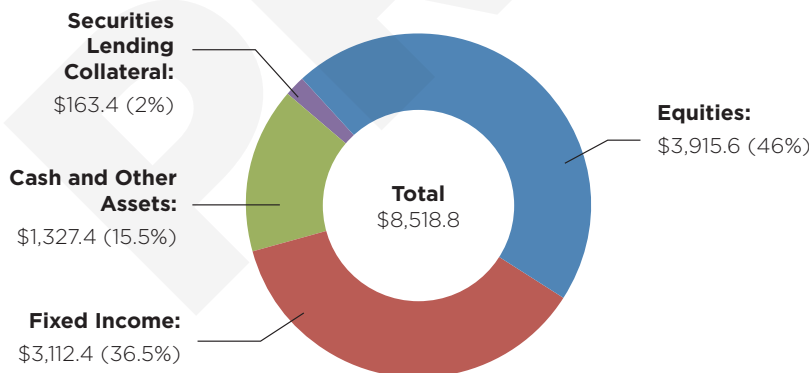
“ Culture is important and we pay attention to it in the hiring process. So it’s not just what you’re able to do that matters but how you do it, how you collaborate, how you cooperate and how you think about what is value added to the organisation, clients and shareholders? ”



**Northern Trust Assets under Custody and Fund Administration - Annually**  
(in millions) Source: Northern Trust



**Northern Trust Assets under Custody and Fund Administration - Quarterly**  
(in millions) Source: Northern Trust



**Northern Trust Assets Under Custody by Asset Class**  
(in millions) Source: Northern Trust

because we put them at the centre of what we do. We’re not a product-focused group, rather we are a client-focused group.”

Northern Trust prides itself on doing more with clients than its rivals, and this has become evident to Parker as she and her team have expanded their interests into more European and Gulf markets.

She said: “The clients’ testimony is the thing that makes a difference. I’ve been here for a long time, so I just think this is how you do things. But when you start to get into new markets, you realise how different that proposition is. So that’s starting with what is the client trying to accomplish? What are they trying to do? We can also impart our experience from our understanding of what other clients like, so we are bringing that to the conversation.”

Parker added: “But you have to have the products, the service, the technology, the infrastructure and the operating model that backs all that up.”

The European chief believes the culture at Northern Trust is different to those at its larger peers, some of whom have assets under administration of more than \$30 trillion, which is more than three times the size of Northern Trust’s book.

She said: “Culture is important and we pay attention to it in the hiring process. So it’s not just what you’re able to do that matters but how you do it, how you collaborate, how you cooperate and how you think about what is value added to the organisation, clients and shareholders?”

Parker said she has spent a lot of time working with European regulators including Britain’s Financial Conduct Authority to help promote a productive and inclusive culture at Northern Trust.

The FCA published in early 2018 a paper on transforming culture in financial services based on 28 essays from academics, industry figures and regulators.

The watchdog wrote at the time: “Culture in financial services is widely accepted as a key root cause of the major conduct failings that have occurred

within the industry in recent history. Given its impact, firms' culture is a priority for the FCA. We expect firms to foster cultures which support the spirit of regulation in preventing harm to consumers and markets."

Jonathan Davidson, FCA executive director of Supervision - Retail and Authorisations, said in March 2018: "Culture may not be easily measurable but it is manageable. So firms can and should take responsibility for ensuring their culture is healthy for both their employees and customers, which can complement and support their business strategy."

Parker said of the FCA: "Part of what they want to make sure is that people are able to bring up uncomfortable truths so here's an opportunity or here's an issue. Making sure you create that space is important."

For Parker, the adoption of a more inclusive culture that encourages staff to question established practices is closely aligned to another challenge faced by the financial services industry: the promotion of diversity in the workplace.

She said: "There are lots of studies that show the more diverse your organisation, the more you can't just assume a set of operating behaviours and rules that you don't explicitly explain.

"So people might question: What does that mean? Why did you say that? When everyone's the same, they all get into shorthand but when you have a diverse group, you actually have to ask questions a little bit more. You can't just take shortcuts. It does call out behaviours and norms a little bit more."

Parker added: "The evidence shows diverse groups, even though they may be a little bit more uncomfortable sometimes, actually get better results."

Northern Trust's policy on diversity, Parker said, is to encourage "a diverse group of people able to add the value they can bring to the organisation and that they can bring their full selves to the organisation".

Northern Trust has signed up to the UK's Women in Finance charter, backed by HM Treasury and over 330



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## Northern Trust and Environmental, Social and Governance

### What is the Northern Trust's position on ESG?

**Parker:** "ESG is an opportunity. We do help asset managers with their ESG considerations. Our analytical services on performance, risk or compliance, we use those to help asset managers define ESG. Are they within their parameters? What's the performance of those assets?"

"It is part of the DNA of what we do. It's an opportunity for us both on the asset management side and then for analytical services in asset servicing to help our clients in terms of how they're thinking about it."

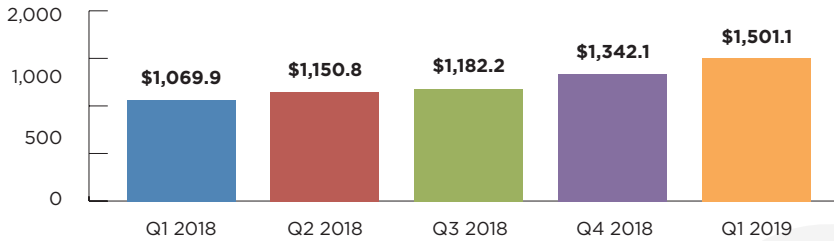
### What are Northern Trust's ESG credentials?

**Parker:** "Our track record has been strong over the last decade because we were onto this quite early on. Now I think we're helped because of some of our northern European clients have been very much onto ESG. They were leaders on this.

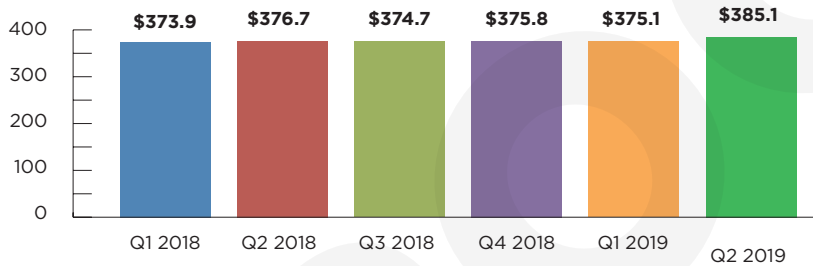
"Other places are picking it up but the Nordics was the first place I remember hearing about it. I mean, they didn't call it ESG then but sustainable investing, and that was maybe 15, 20 years' ago.

"Our own asset management business has a very strong track record and a 25 year heritage of offering sustainable investment products. Their products have done very well in this space, for clients from across our business."

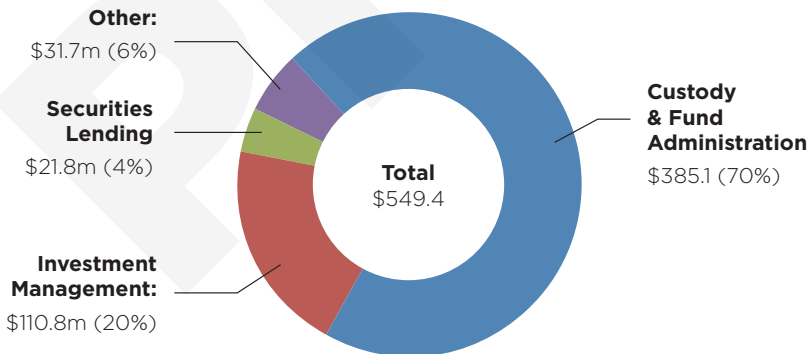
“ Every senior vice president and above needs to have a diverse slate of either women or ethnic minorities. We’ve done this across EMEA and every interviewing panel needs to have at least one senior woman on it. ”



**Northern Trust Custody and Fund Administration Fees - Annually**  
(in millions) Source: Northern Trust



**Northern Trust Custody and Fund Administration Fees - Quarterly**  
(in millions) Source: Northern Trust



**Northern Trust Q2 2019 Fees by Business Line**  
(in millions) Source: Northern Trust

signatory firms, launched in 2016 following a review that found women made-up just 14% of executive committees in the financial services sector in 2015.

Northern Trust has set itself the target of having 35% women in senior positions by 2020.

Parker added: “We’re generally doing pretty well and we’re better than a lot of other organisations and finances but we continue to ask ourselves: What do we need to do to change to make that difference?”

She added one key decision was enforcing a diverse slate for senior hires. “Every senior vice president and above needs to have a diverse slate of either women or ethnic minorities. We’ve done this across EMEA and every interviewing panel needs to have at least one senior woman on it,” she said.

Parker sits on a CEO diversity advisory group and she said this group has discussed the fact that women don’t tend to put themselves forward for jobs as readily as men.

She added: “It doesn’t mean either one of them are any different in terms of commitment. It’s just that they go about the decision making processes differently. So we’re thinking about moving women around more actively. We’re not waiting for them to volunteer.”

The chief executive said ensuring diverse panels has not slowed down the hiring process however.

Another challenge for chief executives like Parker is ensuring their firms remain attractive to the brightest of the next generation which has become increasingly difficult since the banking crisis of 2008 and its fall-out.

Parker said: “One of my colleagues on the advisory group was talking recently about having 50 interns that came through and they asked her the question: “Why would I want to go into financial services”? And she replied: “Why wouldn’t you”? They said: “You work very hard and, if I’m a woman, it’s a male-oriented environment, so it will be tough for me.”

Looking back, Parker said: “When I started my career, I didn’t think anything of that, that didn’t bother me at



all. I just thought it was a great career path and a great opportunity. And I was right. I was lucky. But I think this next generation of school leavers think about their lives differently. The workplace needs to think about that because otherwise it's going to only get a certain kind of person who's attracted to it."

To illustrate her point, she added that her two children, aged 18 and 20, have told her that they don't want to work as hard as she does.

But this is where Parker sees technology playing a positive role, by automating mundane functions and freeing up staff to focus on more interesting, constructive work.

Parker said: "There's research out now that says some people work really hard but they're not really productive. They spend so much time being constantly available on their emails but are they really doing creative work? Are they really doing impactful work?"

"It's not going to be constantly at the other end of the phone or email. That's where I see the future - to make the jobs more impactful, more creative, more productive, but through technology. We want to be attracting people because technology has helped get rid of some of the elements that are barriers to good people taking those jobs."

Northern Trust has led the debate on the future of custody and published in October 2018 a paper that argued that, while "technology is an essential catalyst for the future of the investment industry, it cannot solve every problem".

Clive Bellows, head of global fund services EMEA at Northern Trust, wrote in *Custodians 3.0: The Evolution of the Custody Bank*: "Too much focus on technology alone risks losing sight of the core mission. Clients need to know their providers are going to keep their assets safe, with meaningful emphasis on transparency, integrity and regulatory changes."

Custodians currently find themselves dealing with various rapidly evolving technologies such as cybersecurity tools, artificial intelligence, cloud computing, advanced data analytics and blockchain to name but a few.

“ We opened our first office in London in 1969 and have grown to a considerable size in terms of our presence with 11 locations around EMEA and about 750 clients. ”

Parker said: "The role of a custody bank is bringing all those technologies together and integrating them to create that secure environment.

She continued: "As a custodian we used to look after physical assets, so that was keeping those assets warm and dry whereas now we are operating in a cyber-security world. Now the role is making sure you are able to secure those assets, do the independent valuations and provide value added services on that."

Northern Trust and Broadridge agreed in June 2019 that the US fintech firm would take ownership of the custodian's private equity fund administration platform and responsibility for its ongoing development.

Pete Cherecwich, president of Corporate & Institutional Services at Northern Trust, said in June: "Northern Trust pioneered the development of blockchain technology that supports the complex PE lifecycle."

He added: "For the benefit of our clients and the industry as a whole, it's now time to hand over the reins to a

technology provider with deep FinTech expertise."

Parker continued: "We are continuing to invest in the asset servicing technology stack, around golden record ideas. We think that will impact the way we do our fund accounting, which is a big component of our business.

She added: "We expect to start evolving our operating model next year to use some of those capabilities, which we think will improve the quality of what we're delivering to clients and the speed at which we do that."

Reflecting on Northern Trust's 50 years in Europe, Parker concluded: "We opened our first office in London in 1969 and have grown to a considerable size in terms of our presence with 11 locations around EMEA and about 750 clients.

"At that time, there was the Cold War and globalisation was increasing while the term global custody was only just catching on. The social changes, changing ideas and the technology that supported all of that has been interesting to follow over those 50 years," Parker added. ■

## Teresa Parker

Teresa Parker is president for EMEA, responsible for Northern Trust's business and regulatory affairs in the region. Teresa also sits on Northern Trust Corporation's Management Group.

Prior to her appointment to lead the Europe, Middle East and Africa (EMEA) region, Teresa spent three years as the chief operating officer for Asset Servicing with global responsibility for Northern Trust's business capabilities, technology and operating model.

Before taking up the COO role, Teresa spent five years as head of Asia-Pacific (APAC), overseeing the rapid and extensive expansion of the corporation's presence in the region.

Over the course of her 35 year career with Northern Trust, Teresa has been based in London, Singapore and Chicago and has held numerous executive leadership roles including head of institutional and wealth management businesses in EMEA, global head of asset servicing and global head of securities lending.