



# Sowing The Seeds of Success

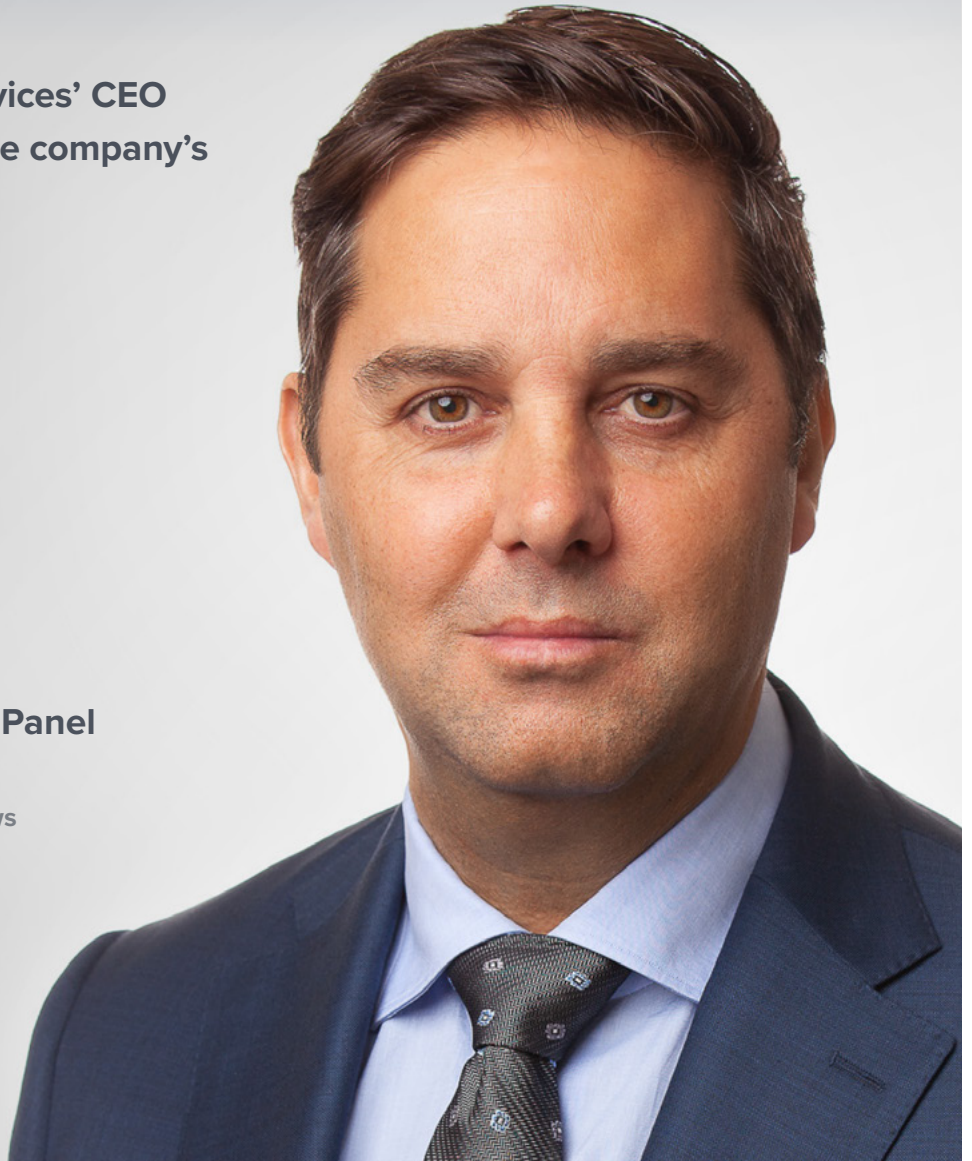
**MUFG Investor Services' CEO  
John Sergides on the company's  
growth strategy**

## **T+1 Countdown**

Should the industry boost  
in-house technologies  
or look to outsource?

## **Shareholder Rights Panel**

Proximity, Broadridge and  
Confluence share their views





**John Sergides**  
CEO  
MUFG Investor Services

# Sowing the seeds of success

With more than US \$770 billion in assets under administration and expected to pass the \$1 trillion mark by the end of the year, MUFG Investor Services has certainly made its mark — and shows no signs of slowing down

*Lucy Carter reports*

When John Sergides, MUFG Investor Services’ CEO, joined the company in 2015, the business was “not well-known” in the Western asset servicing world. Now, however, it’s a different story.

“MUFG Investor Services started off with a couple of, by today’s standards, small acquisitions,” Sergides says, recounting the company’s entrance to the international fund administration market. Driven by saturation in the domestic Japanese administration business, it made two acquisitions in 2013, Butterfield Fulcrum Fund Services and Meridian Fund Services, and closed a third deal on UBS Alternative Fund Services in 2015, quickly raising its assets under administration to US \$260 billion.

Later additions, such as Maitland in 2020, alongside a continued investment in fintech “have given [it] a platform to rapidly deploy advanced technology and innovate at a much faster pace than others in the market.” This strategy is what allowed the company to transform so rapidly over the past five years, Sergides believes.

Another contributing factor to MUFG Investor Services’ success has been its non-Western approach to business, he notes. “In keeping with the Japanese tradition, we’re a long-term player in our strategic investments. This allows our clients to feel confident that we are not considering exiting the space, especially in this age of massive consolidation across the fund administration industry.”

“Many institutions on the street jump in and move out. The ability to take a long-term view, to see five to 10 years down the road and

plan for it, is unique,” Sergides says, particularly in an industry so focused on the short-term view. “It allows you to grow and build anticipation around what the future holds, without worrying [as much] about the next fiscal quarter.”

## Germination

MUFG Investor Services offers a ‘one-stop-shop’ for clients — or partners, as the company prefers to call them — offering a wide variety of services from a single provider.

It used to be that fund administration was demanded by investors and reluctantly agreed to by asset managers. Now, however, partnering with the right fund administrator is known to increase revenue, facilitate growth and reduce workloads.

“The more an asset manager, pension fund or hedge fund can lean on their partners to cover middle-, back-office and other functions, the better off they are,” Sergides affirms. “Without the right partner, [they] can’t achieve [their] strategic goals.” Fund managers need to stay focused on what they do best: generating alpha for their investors.

Broadly speaking, larger asset managers fare better in times of volatility; they have more tools at their disposal. However, Sergides stresses that the best way to combat challenges, whether they are around regulation, barriers to entry or increased oversight, is to have the right solution provider on board. Rather



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than worrying about changes to taxation and the like in-house, the focus can remain on core operations and keeping clients happy.

When it comes to dealing with fast-paced regulatory updates, geopolitical events and unpredictable circumstances, it’s vital to “pick the right partners who will grow with you, who will be able to support you through difficult times,” Sergides states. “You can never adjust the wind, but you can adjust the sails.”

Choosing the right partner is not an easy task, but the most important factor is the ability to work together and drive both of your businesses forward, Sergides says. “Too many people on the street think that this is a zero-sum game, that one party has

to give and the other takes.” No part of life is like this, he argues: “The best deal is one where you both win.”

**Branching out**

“Fund administration is a well-trodden path. Everyone knows what it is, what it’s supposed to do and what it’s supposed to cost.”

However, with the asset management world being hit by economic and political challenges in recent years, administrators need to be addressing a much broader spectrum of services, Sergides asserts. This is on top of the usual regulatory pressures and budget squeezes from year to year.

“Being a one-trick pony can work while things are going well. As things get more difficult, there are more pressures, and you have to adapt.” Areas that “have not historically been the domain of asset servicing companies” need to be considered, Sergides says, with MUFG Investor Services branching out to provide a broader range of services “from fund financing, to subscription lines, to leverage and securities lending” and beyond.

Being backed by MUFG, one of the largest financial groups in the world, MUFG Investor Services benefits from being able to tap into the parent company’s healthy balance sheet to offer clients a range of fund financing solutions designed to provide them with lines of credit to help them reach their goals. This is especially important as firms try to balance concerns over rising interest rates and a shifting economy, while also staying focused on a growth trajectory.

“If we decide to offer a service, we want to be the best at it,” Sergides asserts. “If we’re not going to be number one or two in the industry, we will not do it.”

This approach has garnered high industry praise for MUFG Investor Services’ foreign exchange (FX) overlay solution, which has outperformed the competition — including banks.

One way that the company achieves the high expectations it sets itself is by bringing in a range of employees from outside of the industry to provide expertise and guidance in non-traditional territories.

“When I look at my management committee, almost everyone comes from the buy-side and entrepreneurial backgrounds,”

***“The next big space for us is payments. There is massive demand to facilitate payments across the industry and this is a natural space for us to move into”***

Sergides reflects. “I, myself, have a trading and engineering background.” He highlights the importance of attracting those with skills and expertise around “things that asset managers are crying out for” — FX, structuring and financing, for example.

**Strong roots**

“The pandemic shone a bright light on a couple of technology issues,” Sergides outlines. “First, physical server-based challenges, and second, cyber security vulnerabilities.” Numerous scares in recent years, with asset servicing firms hacked, threatened, or held to ransom, have hammered this point home for the industry.

The solution to these problems is the right investment in technology. “Before the pandemic, we created our cloud strategy mandating a cloud-first approach, and today, most of our system workloads are cloud-based. Making this happen requires investing heavily in technology, either through acquisition or by building it ourselves,” Sergides states.

“The technology needs of many firms is enormous, with outdated legacy systems no longer fit for purpose,” he continues — an issue that will only worsen as time goes on if not addressed and invested in. “The best time to plant a tree was 20 years ago. The second-best time is now.”

In terms of what seeds the industry should be sowing in anticipation of the two decades ahead, the answer remains the same: development of innovative technology, correct use of artificial intelligence, and democratising technology to all facets of the business, not just within internal IT departments.

“Costs typically go one way – up.” Many companies solve this by moving their operations to cheaper locations, something that “doesn’t help anyone,” according to Sergides. “Wage arbitrage is terrible, from a society perspective and a firm perspective, and the client doesn’t benefit.”

“You have to break that link between a growing book of business and a linear growth in the number of people,” Sergides insists, automating “the most mundane daily tasks” to allow for fewer errors, compliant regulatory reporting and “better choices and better careers” for employees.

Those who are not yet fully onboard with their technology investments are “more prone to trouble,” Sergides cautions.

“There’s always time to correct course,” he reassures, but that window is “not infinite.”

MUFG Investor Services sees “nearly 30 per cent growth on average” year over year, Sergides reports, “and has [done] so consistently for five years.”

MUFG Investor Services is well-prepared for the path ahead, with several projects in the pipeline. Although many of these are still undisclosed, “the next big space for us is payments,” Sergides reveals. “There is massive demand to facilitate payments across the industry and this is a natural space for us to move into.” ■