

Fireside Friday with... MUFG Investor Services' John Sergides and Joseph Latini

MUFG Investor Services has launched a business consulting group, hiring in expertise from Credit Suisse Prime Services. Global Custodian spoke to John Sergides, CEO, and Joseph Latini, global head of business development, about their ambitions for the new unit.



Global Custodian: Two of your new hires from Credit Suisse – Brian Yegidis and Caley Watnick – have a prime services background. Is prime an area you plan to focus on in particular?

Joseph Latini: Like Brian and Caley, I have also spent a good portion of my career in prime brokerage. I was in PB at Morgan Stanley prior to coming to MUFG, so I understand the landscape extremely well.

When you think about how business consulting started in the early to mid-2000s in the prime brokerage arena, it was really to help emerging hedge fund managers build out their non-investment infrastructure.

As the market started to mature, business consulting groups also evolved. They got bigger and they started to do more for

clients than just helping understand that non-investment infrastructure portion of their business.

If you look at MUFG, and the growth of our ecosystem over the last five years, we don't just provide administration services. We provide securities lending, fund financing, FX overlay, business process outsourcing, and ESG solutions, just to name a few.

When I saw the opportunity to continue to grow out the business development area, I thought business consulting was a perfect place to invest, because by doing this we're

going to be able to create a differentiated service that deepens our client relationships and enhances the overall client experience.

GC: What is this business consulting team going to do?

JL: A couple of different things: Client advisory will clearly be the focus. They will be working with our clients across all the different life cycles to build the institutional infrastructure that we talked about thus maximising efficiency. Our clients will, for example, reach out to us to help them

benchmark themselves against their peers. We will help answer the questions of 'What can we do better? Where should we be thinking about making other investments? How can we create efficiency?' So that'll be one area.

Another is thought leadership. Working with our marketing team, we're going to partner to create valuable content. Our clients want to know what's going on. We're different from the prime brokers. We have more information, and we can utilise a richer set of data. We can provide content that's a little bit different, we can do small- or large-scale conferences, we can create content pieces such as white papers that can help educate our client base about what to anticipate over the next three to five years.



Then there is the area of human capital advisory, understanding trends in the marketplace, understanding things like the benefits of working from home and diversity and inclusion, what other clients are doing and how are they doing them, talking to them about talent management. This may not be what admins typically do, but it's what we're going to do, because we're taking a different approach to the way that we work with our clients.

GC: Is your existing client base for investor services the first target segment for the new business, or is it a way of expanding your reach?

John Sergides: What Joe is saying, and what we are doing is building an ecosystem for our clients holistically. Services that typically you must go to three, four or five institutions to get, such as securities lending, financing, execution, hedging, banking, escrow, you should be able to get from a single institution. To us it's disintermediating, what typically was part of different food chains.

We have to disrupt what's going on. We have to provide more value. Across the industry, there's fee compression everywhere. Clients want more by paying the same or less. This is not a new theme, but you have to stay ahead of that curve.

A good example is capital introduction. You should be able to receive these services without committing all your balance

sheet to a single prime broker. You should be able to receive high quality services from providers that are not your typical prime brokers. The client base has grown massively, especially in the various areas of private capital. It's a much bigger industry than perhaps people have realised. The definitions of what includes hedge are very loose at the best of times.

When you look at a classic sales strategy, you break it down to four quadrants covering existing products and clients and new products and clients. I sell what I have to existing clients, more of the same thing, always the case. Then it's new products for existing clients, then it's existing products to new clients which is harder. The hardest yet is brand new products to brand new clients.

We have a much smaller client set than perhaps the rest of the street and that's intentional. We choose clients very carefully. We've been growing very fast –not the fastest, but certainly the importance of retention rate is often overlooked by industry peers experiencing rapid growth.

If you can maintain your clients – and we haven't lost a client in years – this is where your growth will come from, by servicing existing clients, by providing more services to existing clients.

We look to gain a very small number of high calibre prestigious clients every year. This is all we try and do. So, we focus all our attention on that small book of clients. When you start catering to clients who number in the thousands, you always have this 90/10 rule where you've got 10% of your clients making 90% of your revenue. Fortunately, we don't have any of these problems. We grow sustainably by increasing our client book very slowly year on year, but our revenue grows much faster. This is because of these disruptive services we produce.

GC: In terms of new products and services to existing clients, other than consolidating their source to a one stop shop, are there any areas your clients are grappling with more than other areas, where they could benefit from business consulting?

JS: A hundred percent. What do asset managers do? What do pension funds do? What do sovereign wealth funds do? What do alternative investment vehicles do? They gather assets, they deploy capital, and they generate returns. This is what they do, and this is their secret sauce. This is all it is. Anything which sits within an organisation, which does not add competitive edge, which only increases liability and risk, is not a good thing to have.

Through the pandemic, organisations woke up very quickly to this. The question is, how do I take these functions out of my daily responsibilities. It's relatively easy to do it if you're a five-person shop, but if you are a global asset manager, how do you do this? How do you suddenly take a hundred operational people you have in house, reduce your real estate cost, reduce your IT overheads, reduce your IT debt, at the same time, allowing yourself to focus more on gathering assets, structuring the right vehicles as quickly as you possibly can to take advantage of market situations with little additional overhead?

This is part of what our consulting team is out there for.

JL: In essence, what we do is to help our clients succeed. Our clients' goal is to generate alpha. Our goal is to help them not worry about the things that they don't have to worry about. That's going to lead to a very happy client and it's also going to lead to a very successful relationship.