Trust Core Vendor Landscape

accutech SYSTEMS		Fitek	FIS	Infovisa Trusted focus.	INNOVEST SYSTEMS	SEI New ways. New answers.
Gold		Global WealthES	Charlotte	Maui	Innotrust	Trust 3000
			AddVantage			
Cheetah			Global Plus			SWP
			TrustDesk			

Internal vs. Outsourcing Operations

Why Outsource Back Office Operations?

- Trend in Industry is to move back-office operations to the trust core vendor

- Retiring staff, inability to recruit talent to manage complex trust operations

- Strategically redeploy resources to build out middle office

- All vendors offer outsourced operations – vendor either manages or uses a 3rd party (i.e. TMN)
  - Capabilities can differ by vendor

- Risks to consider and how to manage:
  - Vendor has more responsibilities for the client experience
  - Does the vendor have the ability to manage complex clients – could limit certain client opportunities
    - i.e. trade volumes, check volumes, certain types of securities (stock options)
  - Thorough due diligence with the vendor on what the trust operations needs are and the types of clients serviced
  - Negotiate robust Service Level Agreements to include:
    - Clearly defined roles and responsibilities
    - Defined performance metrics
    - Remedies should vendor miss targets (invoice credits, termination rights for continued misses)
    - Service Level reports should be reviewed during recurring vendor meetings

Internal vs. Outsourcing Operations

Examples of Functions Performed

BPO

- Asset Setup
- Asset Pricing
- Income Processing
- Corporate Action Processing
- Cash Disbursement Processing
- Settlement Processing
- Free Movement Processing
- Cash & Position Reconciliation
- Statement Composition

Push For Combined Fiduciary and Brokerage Solutions

Why?

- Current trust systems do not manage brokerage effectively (trading limitations); brokerage solutions do not manage P&I accounting

- Customers are driving the need for a consolidated experience when it comes to P&I accounting and brokerage

  - Paper statements

  - Online/mobile apps

  - Multiple points of contacts to service the account (1 for trust, 1 for brokerage)

- In a vendor selection, who's driving the bus at the bank? Trust or brokerage?

- Currently, no vendor offers a "combined" solution

  - A few vendors are in the process of development

  - Current efforts are not to provide a single solution but single "experience"

  - Long-term efforts will be to create a single solution

Significant Opportunity for NII to the Bank

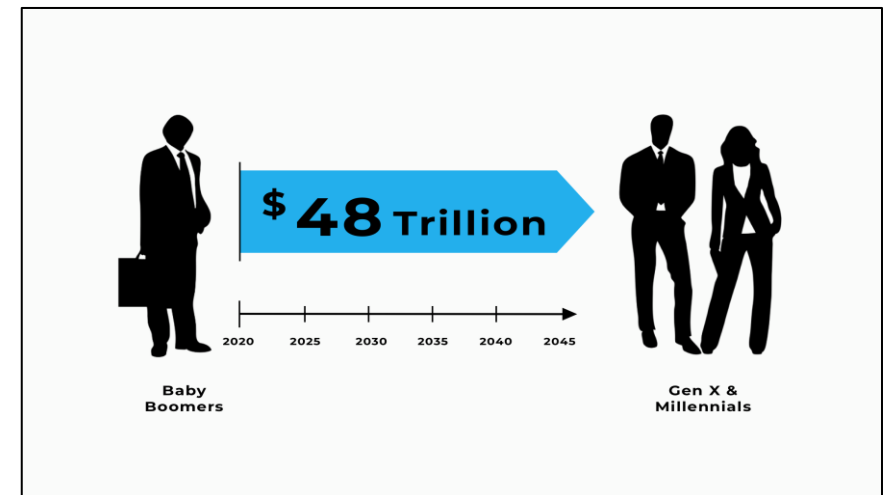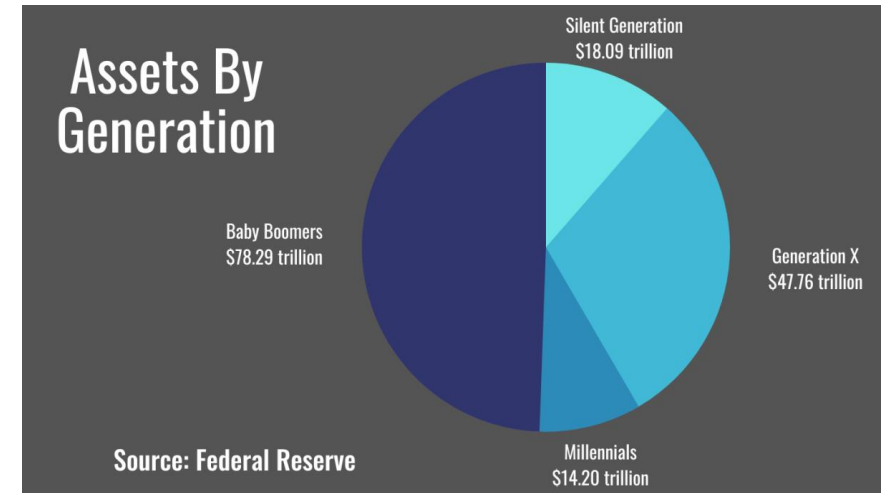There are significant external forces on bank noninterest income (NII)

- On average, NSF/OD income and interchange comprise 50% of a banks NII

- NSF/OD income is trending down (many banks moving away from charging these fees – BofA, US Bank, Ally, and others)

- Impacts to interchange – dual networks for CNP, dual networks on credit cards

- Many banks considering BaaS strategies however only a small number of banks will execute successfully plus risk management is #1 priority

- Trust/wealth represent one of the top opportunities for banks to grow NII

- Many banks that do not offer trust/wealth are beginning to explore adding this line of business
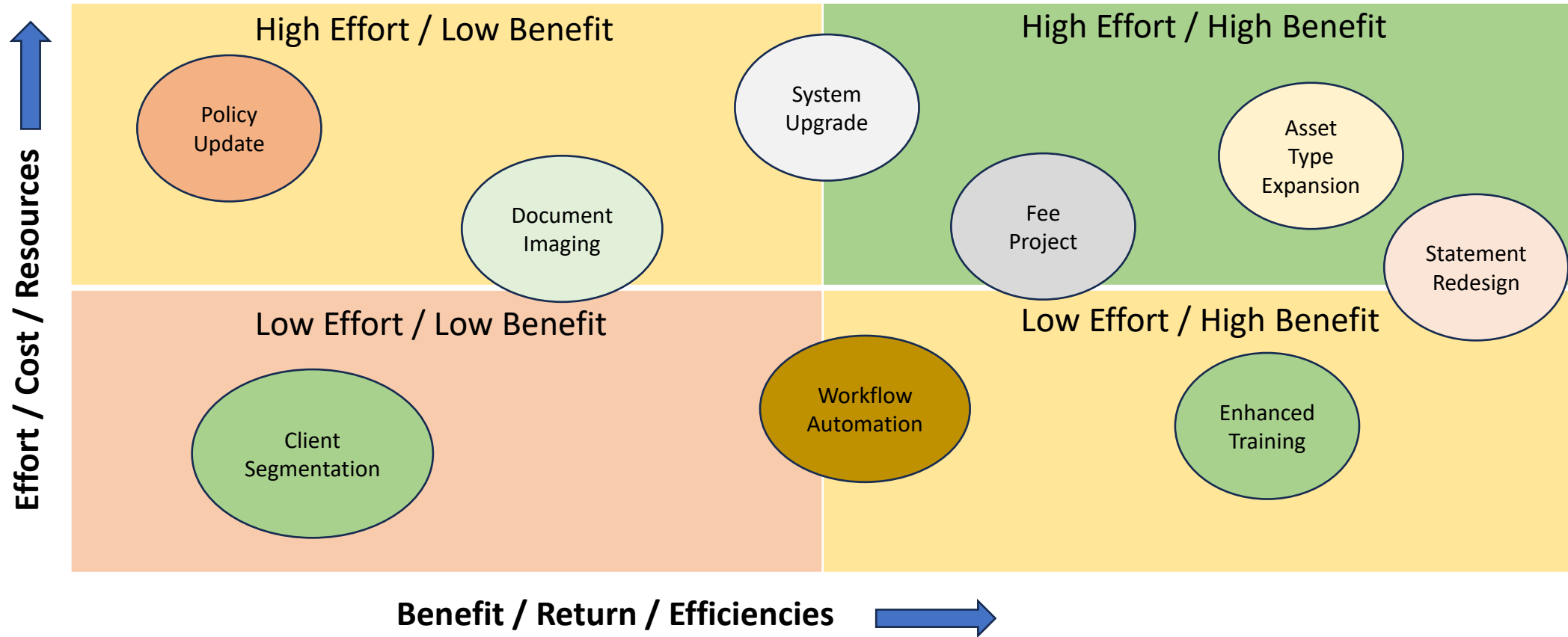
The great transfer of wealth is underway, is your bank prepared?

- Who owns the wealth today and how are you bringing the next generation into that relationship?

- Many Gen X'ers and Millennials are not at the stage in their life where they see the value of a trust relationship

- Do you offer cost effective solutions to manage assets that are inherited?
  - Robo solutions, auto investing, investment model management

- Does your bank *want* to manage lower balance accounts?

- Are you educating younger generations on the value of a consolidated banking and wealth relationship?

- Gen X'ers and Millennials have different expectations on user experience and technology – more emphasis on online and mobile capabilities

Assets By Generation

Silent Generation $18.09 trillion
Baby Boomers $78.29 trillion
Generation X $47.76 trillion
Millennials $14.20 trillion
Source: Federal Reserve

$48 Trillion

Baby Boomers → Gen X & Millennials

2020 2025 2030 2035 2040 2045

Building and Executing A Roadmap to Improve Efficiencies and Technology to Better Compete

This is an illustration of how an Effort/Benefit chart might be used to create a roadmap. It is not intended to reflect Cornerstone Advisors thoughts regarding any institution's specific needs.

Building and Executing A Roadmap to Improve Efficiencies and Technology to Better Compete

Road-Map Tasks	Project Phase	2023 Quarter 1	2023 Quarter 2	2023 Quarter 3	2023 Quarter 4	2024 Quarter 1	2024 Quarter 2	2024 Quarter 3	2024 Quarter 4
Create Vendor Interview Document	1 - Evaluation	◄►							
Reporting Needs Analysis	1 - Evaluation	◄►							
Interview Potential Vendors	1 - Evaluation	◄——►							
Vendor Capability Analysis	1 - Evaluation	◄——►							
Select Potential Vendor (Go / No-Go)	1 - Evaluation		◆						
Create Cost/Benefit Analysis	1 - Evaluation		◄——►						
Present Full Analysis to Executive Team	1 - Evaluation		◆						
Go / No-Go Decision	1 - Evaluation		◆						
Contract Negotiations	2 - Contracts		◄——►						
Technology Mapping - Data Flow Document	3 - Implementation								
White Label Project	3 - Implementation			◄——►					
Report Setup / delivery	3 - Implementation			◄——►					
User Training	3 - Implementation			◄——►					
Document internal Workflow / Procedures	3 - Implementation			◄————►					
Data Warehouse Interface	3 - Implementation			◄————►					
Fee collection & posting process	3 - Implementation			◄————►					
Setup test clients / Transition / Testing	3 - Implementation			◄————►					
Develop transition plan / Talking Points	3 - Implementation			◄————►					
Client Re-papering	4 - Execution					◄————►			
Asset Movement	4 - Execution					◄——————►			

Cornerstone
A D V I S O R S

CONTINUE THE CONVERSATION

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