

Good morning everybody!

It is my privilege today to summarize the past day. I believe we had a great first day with very rich content and exchange.



So, first of all, I want to thank all the speakers for their contributions and **Peter Mathias** for his remarkable moderation and summary which was so good that I was thinking all the summarizing was already done yesterday.

We started out looking at the client side:

Christoph Schenk gave us his perspective from a client's point of view and some hints about what the needs are, specifically for pension funds: To focus not on assets anymore, but on liabilities was his key message. Also his concept of risk budget was rather interesting.

Catherine Weir then gave us the perspective of the individual in private banking. This is characterized by a significant growth of assets – not only the transfer of wealth between generations and the old money in the industrial world, but also new money in emerging markets.

We then moved to reviewing products and product development issues, starting with **Michael Strobaek** who showed us the complexity of the private banking products. He talked about the challenge of matching the emotional nature of the investor and the rational nature of the investment process. He explained the portfolio concept being global opportunity plus financial engineering plus risk management. And he ended up demonstrating the complexity of information to deliver to the clients, the high net worth individuals.

Linda Moore then gave us an impressive presentation on the distribution issue for the mass affluents and as a matter of fact called all the asset managers in the room for partnership in an open distribution / open architecture concept.

Professor Rajan shared with us a brilliant summary of his research. Some of his striking points were:

- We are the inflection point, because the past did not look at all like the future in terms of the investment industry. There is a shift to new asset classes.
- There has been a reduced appeal for alternatives since 2003, and that is essentially on the pension side.
- The current crisis is a mixed blessing, but it is certainly a trigger for additional innovation.
- At the end of the day – as we have all seen in the current crisis – trust is credibility plus synchronicity plus stability. And trust in the context of asset management and wealth management certainly needs those three elements.

Alan Brown made what I believe a remarkable public confession about the easy ride enjoyed by the investment management community so far. He confirmed the need to look more at the liability side and set strategies to meet the requirements of the liability issues – from a personal point of view, but also from a collective point of view, again in the context of retirement. He also stressed the need to better inform the investors and particularly those saving for retirement, as there lies an ethical issue for the whole industry.

In the afternoon while moving to operational challenges, **Jimmy Gambill** presented a long list of issues related to globalization and customization. He showed us the complexity of globalization which also means meeting the requirements of asset managers operating in one time zone, distribution being in another time zone, and the product hopefully being distributed in yet different time zones.

Dean Chisholm who has been in Asia for almost twenty years completed the picture by sharing with us the complexity and all the operating challenges to work in the region. He made a very interesting conclusion about the requirements and the sophistication going from very low in the Republic of China to very high in Japan and Australia in terms of investment products and investment techniques.

We completed the day with two excellent presentations:

Neeraj Sahai told us that there is no panacea in outsourcing, but that it is usually an issue of shifting the problem to someone else, and that usually does not work. He demonstrated that the cost of complexity and integration of two organizations can generate very high costs which can normally never be recovered with the scale issue that is expected from the exercise. He offered an interesting platform solution: linking discrete processes and using modular best breed platforms. In my opinion this is the way to go, because the universal, standard platform whether it is on custody or fund administration does not exist. And if someone has it, please call me.

Finally, **Jeff Tessler** shared with us a vivid reminder of the crisis and the growing need for collateral efficiency. Managing collateral with efficiency is certainly a key issue for the coming months if not years. Jeff also spoke about Target2 Securities forcing the CSDs to move up the value chain, so that means more competition and probably more choice and price competition for all users. So that is good news for the clients, bad news for the providers. And then he clarified the purpose of the innovative Link up Markets structure, which is another way of getting the European market in a harmonized and consolidated fashion.

That concludes my summary.
