



Global Custody Forum

Tower Bridge Hilton

Tuesday 11 December 2018

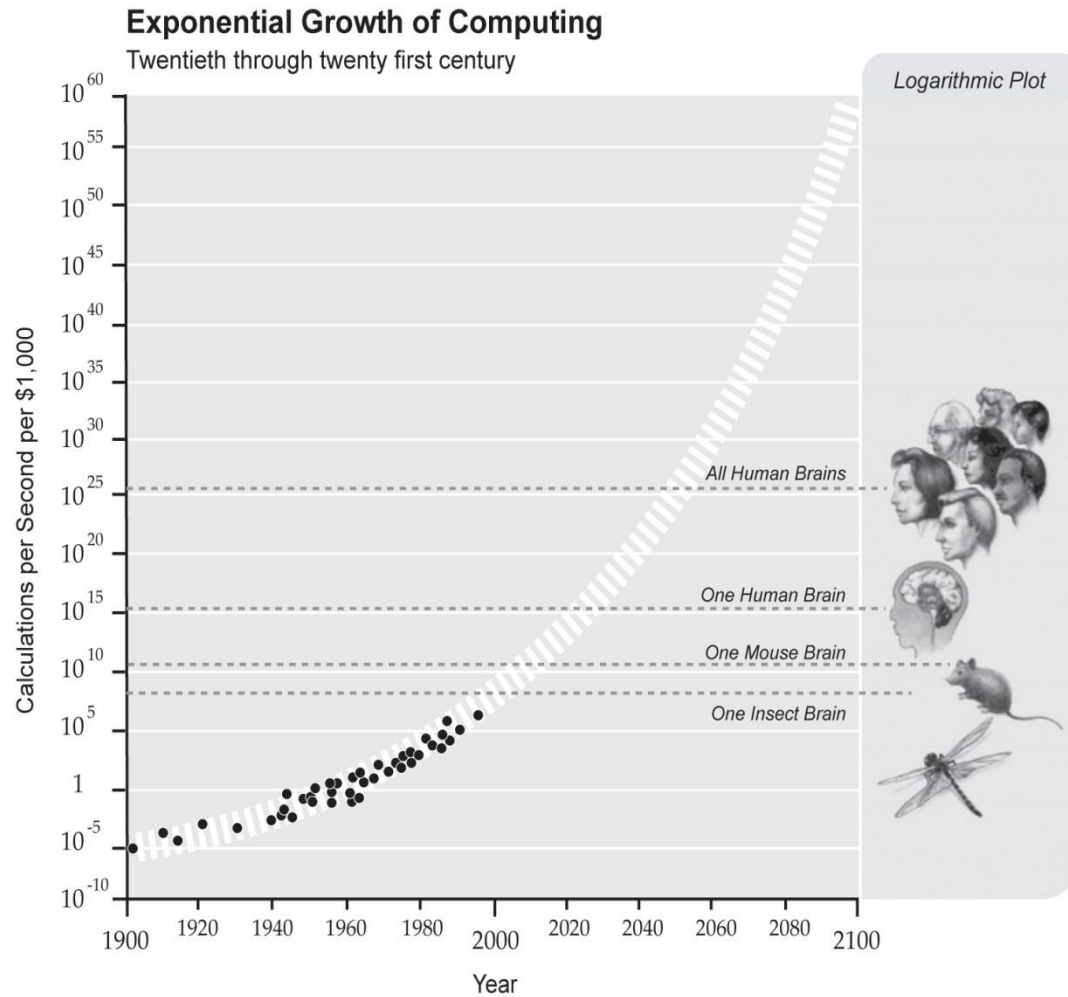
10:30-11:15

Counter-acting industry inertia and creating a culture of innovation

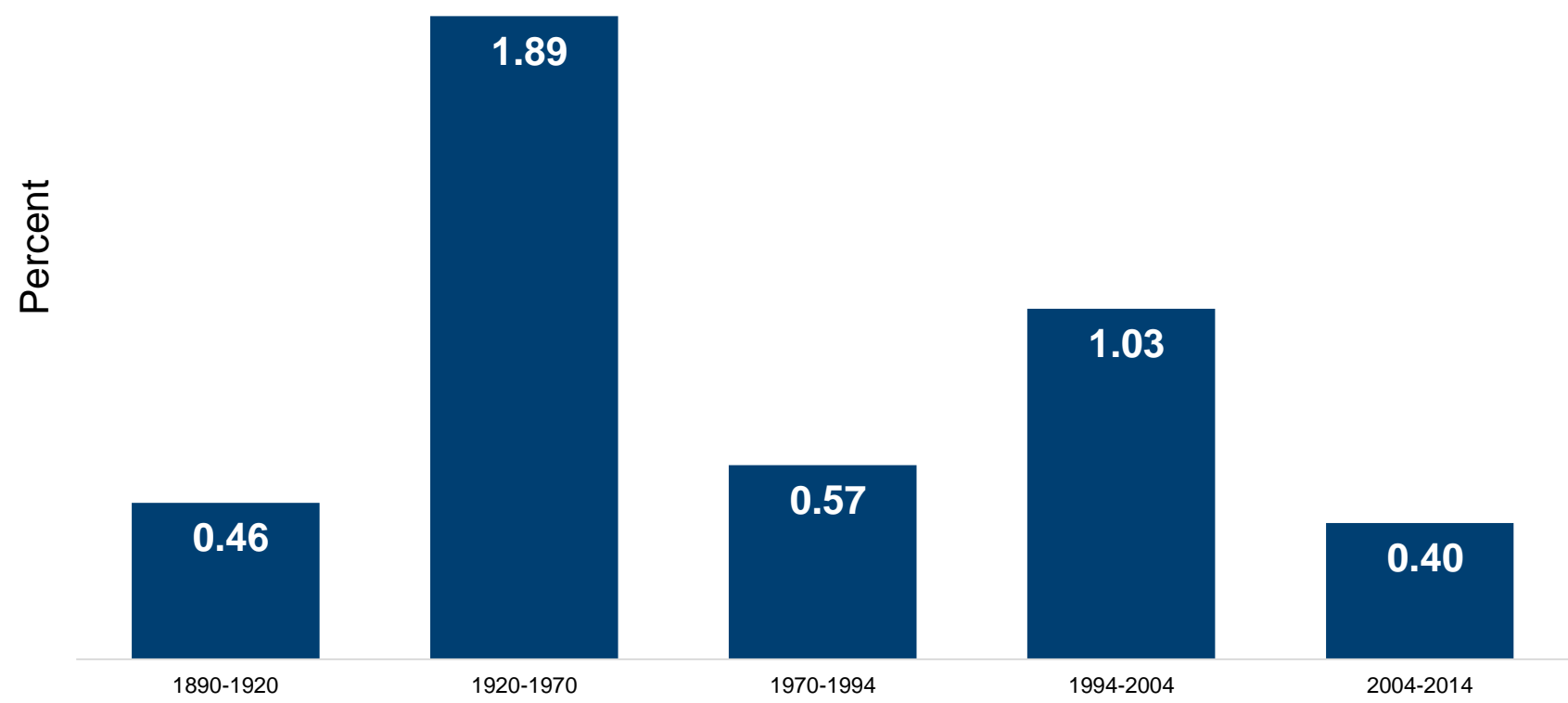
Prepared by McLagan

McLagan is part of Aon Hewitt, a business unit of Aon plc.

Kurzweil's Law of Accelerating Returns

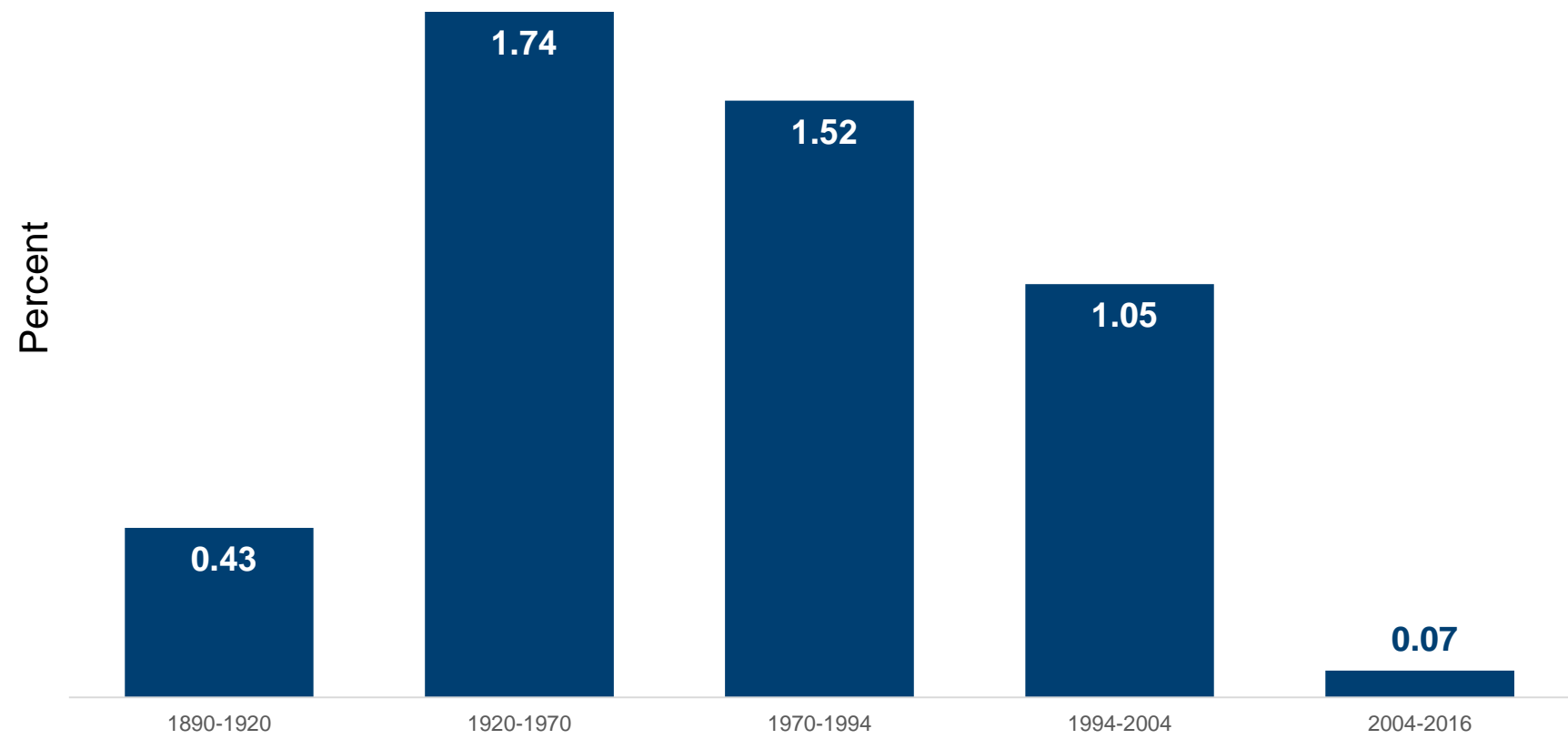


Annual Rate of Growth of Total Factor Productivity in the United States 1890-2014



Source: : Robert J. Gordon, *The Rise and Fall of American Growth*, 2017, Figure 17-2, page 575

Annual Rate of Growth of Total Factor Productivity in the United Kingdom 1890-2016

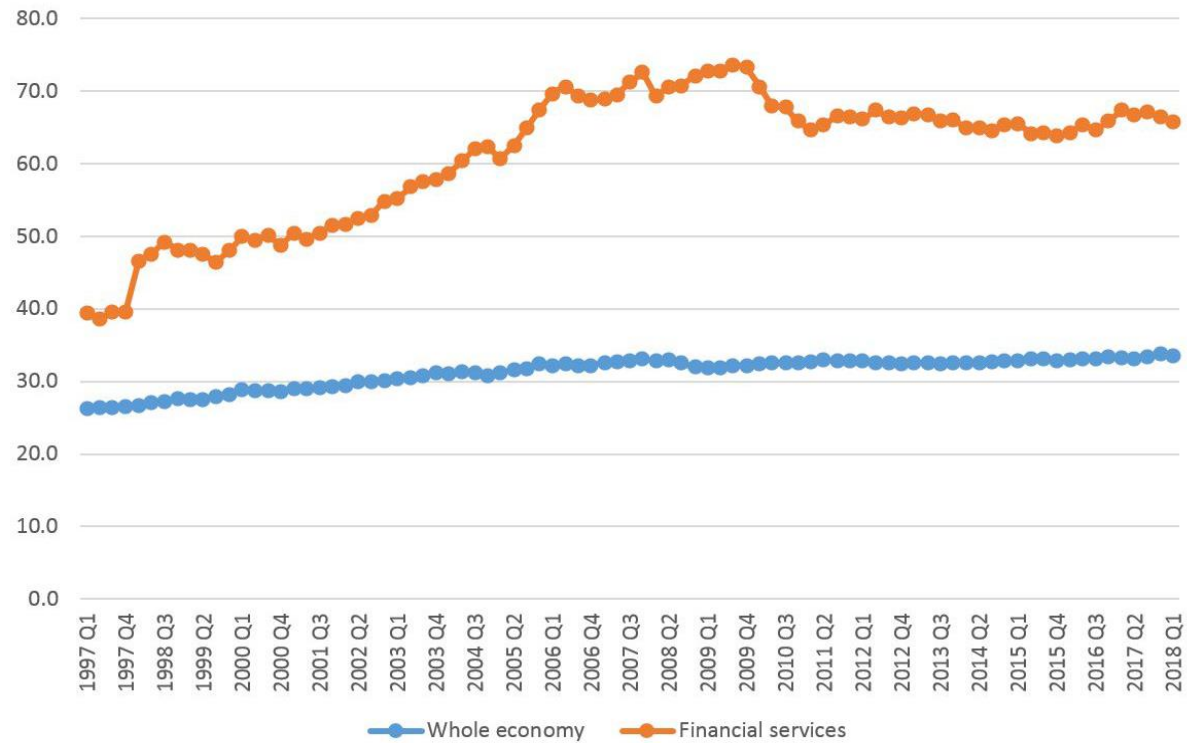


Source: Federal Reserve Economic Data

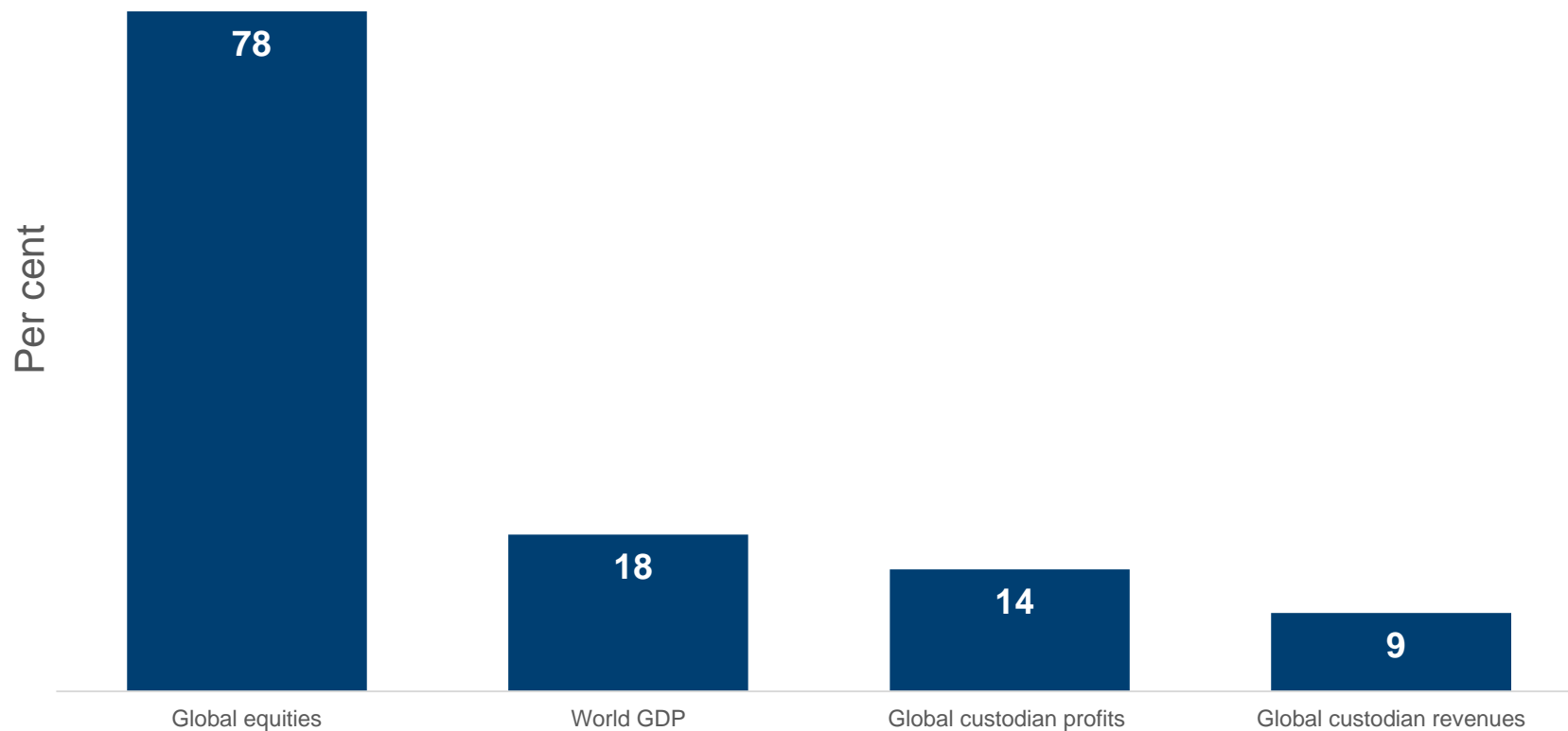
Productivity in UK Financial Services versus the Rest of the UK Economy

Output per hour (£, 2016 prices)

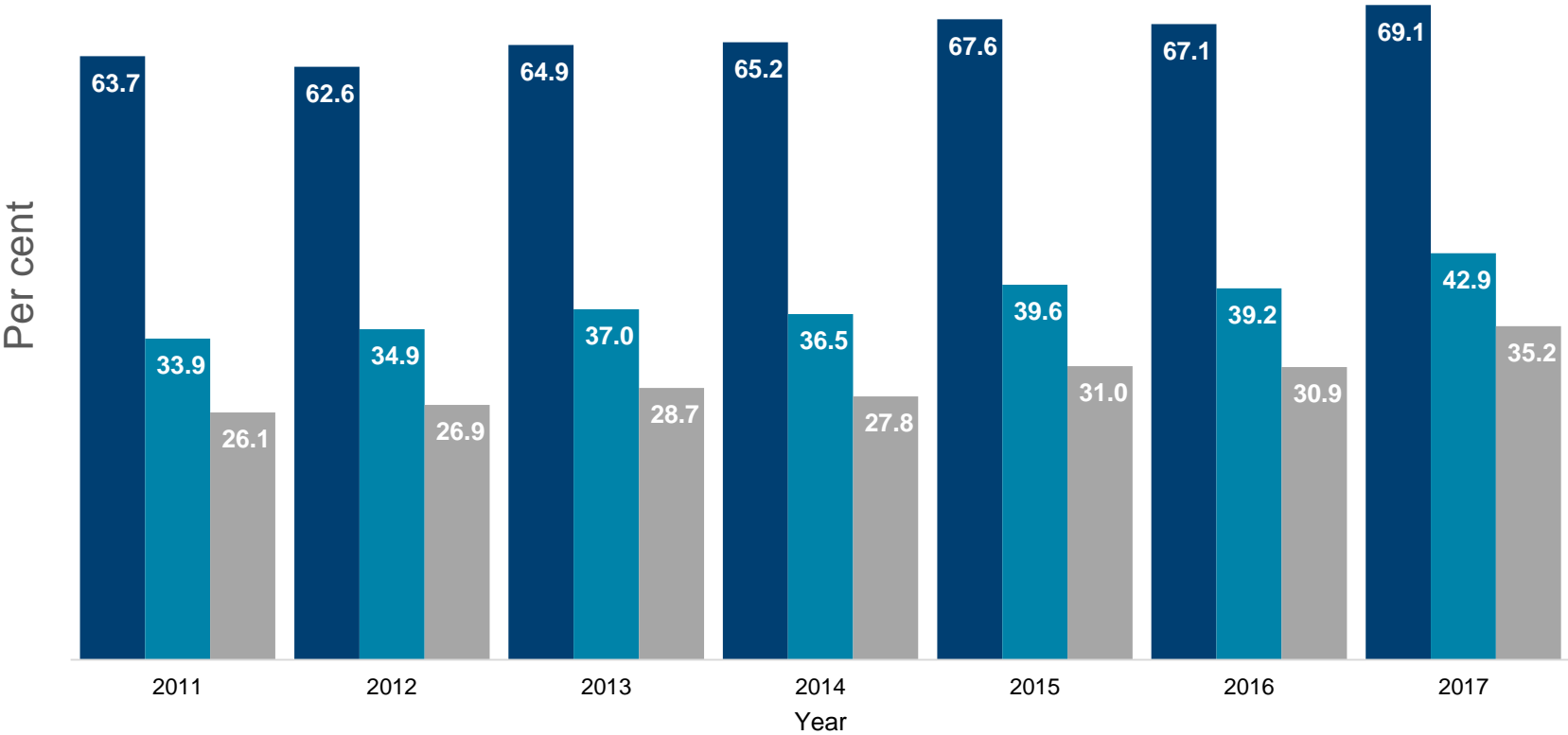
Source: TheCityUK calculations based on ONS data.



Increase in Value Since 2011

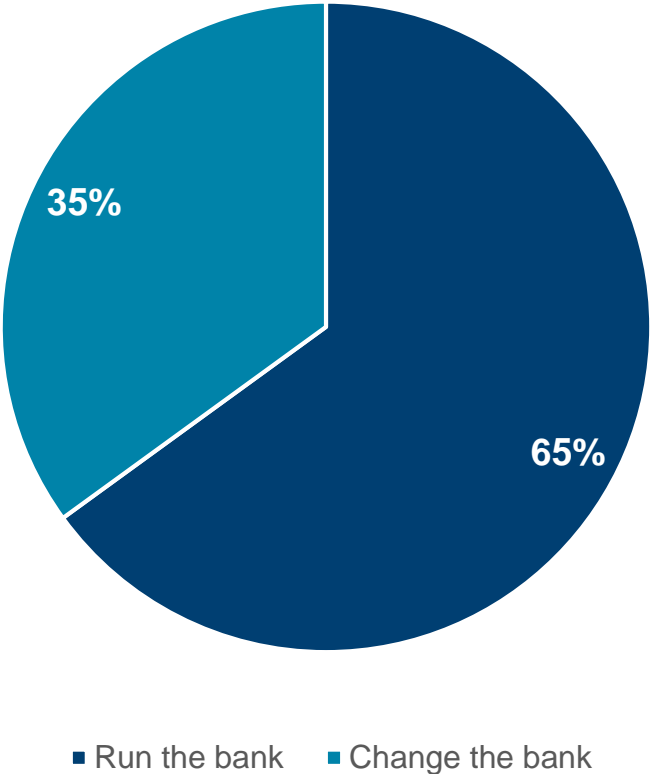


Margins in Global Custody 2011-2017



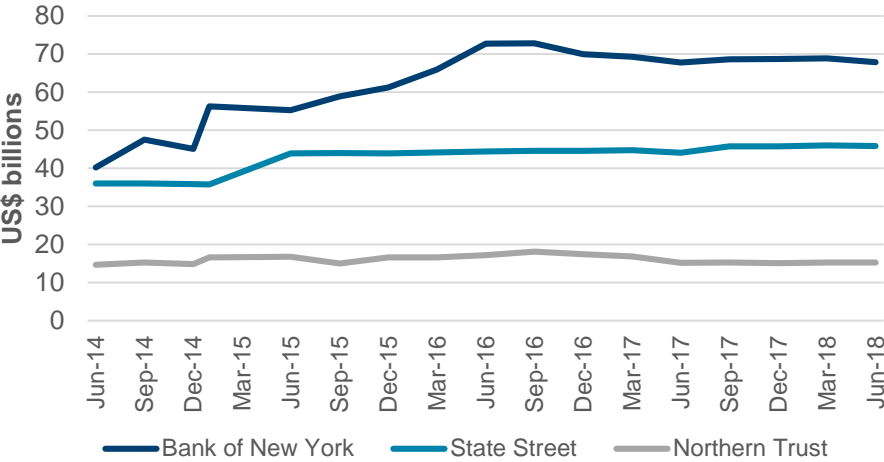
■ Margin after direct costs ■ Margin after technology and operations ■ Margin after technology and operations and central overheads

What Global Custodians Spend Their Technology Budgets On



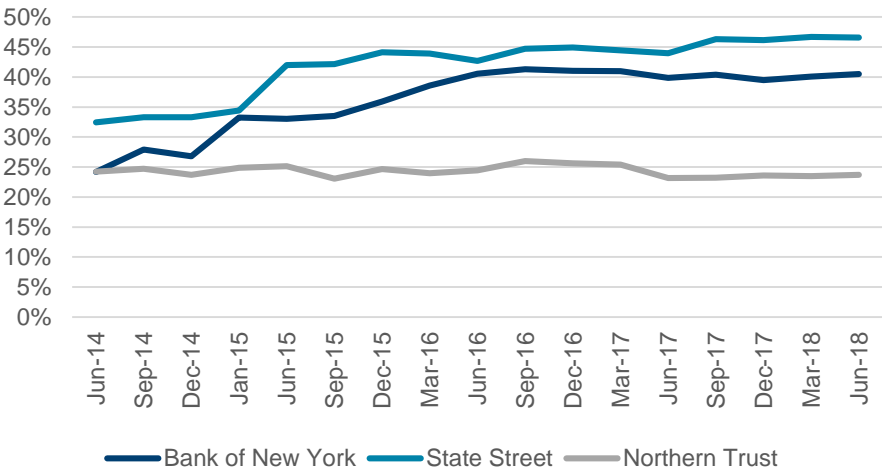
Capital Allocations by Global Custodians to Operational Risk Under Basel III

**Operating Risk Capital Allocations
at Global Custodians in US\$
Billions**



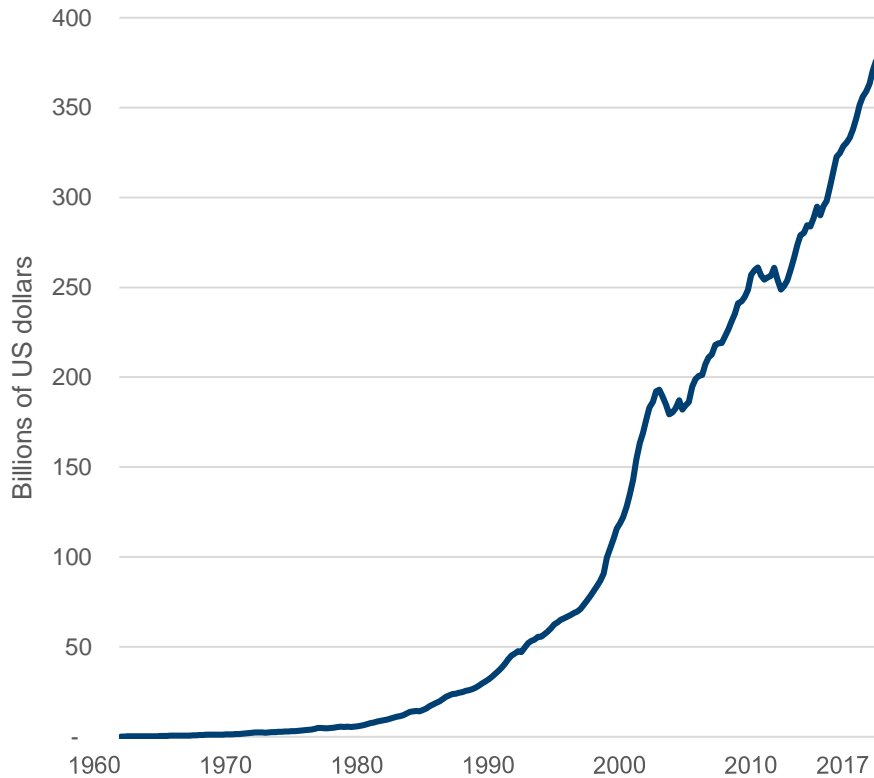
Source: Basel III disclosures

**Operating Risk Capital as a
Percentage of Total Risk Weighted
Assets at Global Custodians**



Investment in Technology in the United States

Investment in Software in the United States 1960-2017



Investment in Hardware in the United States 1960-2017



The End