

Ian, we just held a regulatory event with over 100 asset manager clients in the room. What themes did you hear from that session?

So it was interesting. Since the start of the financial crisis, our clients have been facing quite a wave of regulation. And the way we structured the event was we split it into two broad categories. So there's a set of regulation governing the product. And, broadly speaking, we're talking about AIFMD and UCITS V.

And AIFMD is only partially done. Now, we have broken the back of the AIFMD journey. A significant number of our clients do operate in non-EU jurisdictions, and they still have to comply with AIFMD. UCITS, on the other hand, is something we're going to be dealing with in 2016. And it's interesting to hear our clients' feedback during the course of the event, where they very much see these implementations as a long term program.

Of course, the other big regulatory effort that our clients have to go through, as you know, are regulations affecting the manager directly, and specifically, MiFID II.

I think, you hear quite often in the market that the next regulation that's coming down, sort of rank, is going to be the biggest regulation that impacts managers. I think when it comes to MiFID II, that may be accurate.

I've certainly not come across a regulation before that impacts front, back, middle office, how and where you trade, equities, fixed income, and OTC. And the number or the volume of pre- and post-trade transparency in reporting that is needed to both regulators, and to your underlying clients, is huge. There are many, many facets that could come with MiFID II.

The clients, I think, in some ways, are looking at how they should actually implement it themselves. And when you were in the room, what did you pick up from them as their biggest concerns in that space?

So there remains this core policy-making imperative at the heart of all of this. Since the financial crisis, I think we can all accept there have to be additional regulation following the financial crisis. We've consistently asked our client base is whether the extra protections being afforded to them, and their investors, are trickling down to their investors in the form of extra value.

41% of our clients told us that within a 12-month cycle-- to the end of December, 2016-- they do not expect their investor base to be fully engaged in AIFMD or UCITS. And this remains an interesting, open question, the relationship between the policy-making imperative to provide greater protection for investors and fund vehicles relative to that investor base, not naturally yet engaging in that debate to the kind of extent that we would have

anticipated.

And, of course, in your regulatory services team, you will see how this is playing across all kinds of other facets of our clients' business.

Indeed, and, I think, in many ways, we're now at a critical point with our regulators. There are a few examples right now and almost hitting the pause button. I think everyone would agree, regulators, everyone in the financial industry, that things needed to change post 2008.

But, I think, there were some unintended consequences, and there's been numerous speeches that have come out of even the FCA, have come out of the ESMA, various other regulatory authorities in Brussels, that have said they think there is too much regulation now. They are concerned that the unintended consequences are actually having more of a negative impact than the positive impact to investor protection that they were aiming at.

And there's beginning to be delays coming in for the various implementation deadlines. So we know-- there's rumors in the markets-- about a potential delay, the UCITS V. Pause button, again, when it comes to MiFID II. What would you say to clients with their projects? How should they be tackling that? And we said earlier that it is part of a program. How long will that program be? And is there any light at the end of the tunnel?

If the last seven years of this post-financial crisis tells us anything, it's that we cannot wait for certainty. We, We're two years past the official implementation of AIFMD. There are still some open questions about that phase one. That's before we get anywhere near phase two and phase three of AIFMD implementation. If experience tells us anything, is that we have to act now, and as quickly as we possibly can.

And, interestingly, clients consistently tell us that their ability to get ahead of all of this, and articulate it properly to their investors, is something that helps them differentiate themselves in the marketplace. And I'm sure you see that in other regulatory spheres as well.

Yeah, I think I'd agree with that. And again, there are many things coming out from ESMA, from the various regulators, and, I think, the Capital Markets Union is probably the perfect case in point, the proverbial, I think, silver lining that comes out at the end of the journey we've been on since the crisis.

We talked about the unintended consequences. I think everyone would still agree that we do need to ensure the investors are protected, that there is that pause button that's ensuring that what is meant to be achieved is being achieved without the unintended consequences. But do you have a perspective on what the asset managers, or everyone within the financial industry, should be doing to try and help the regulators come to the right conclusions?

There remains a significant piece of work ahead of us. You referenced MiFID, UCITS V. Specifically, one of the things that we're very conscious of, is the fact that our client base in Europe have a significant footprint in managing non-EU vehicles. And those vehicles remain to be covered by AIFMD.

But, I think, what's important is that the industry continues, through ourselves, through industry bodies, through government agencies, to engage constructively with the regulatory community, to seek to get to a place where, exactly as you said, unintended consequences can be avoided.

I think, for us at Northern Trust, for our client base, when we've sat in meetings and conferences with regulators, we get a sense of how difficult it is for them to produce regulation that avoids confusion and that makes sense. And there remains a piece of work for us to ensure that the engagement with the regulatory community is as constructive as it can be.