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Conference Special

The time is now

Haytham Kaddoura of SmartStream discusses why the company has waited until now to launch its Innovations Lab

Developing the crypto asset market remains very important

The issue of developing the crypto asset market remains very important, according to a panel discussion at the Sibos Conference in Sydney, Australia.

The panel, which included Artem Duvanov, head of innovation, National Settlement Depository; Walter Verbeke, global head of the business model and innovation, Euroclear; Joseph Lubin, co-founder of Etherium and CEO of ConsenSys, and Igor Khmel, founder and CEO of BANKEX, focused on the infrastructure of the crypto assets market.

The panel explained that an imperfect legislative framework and the absence of reliable infrastructure prevent the inflow of funds into cryptocurrencies and ICO.

It suggested that against the background of the first regulatory steps for qualifying and structuring this sphere, the issue of investor rights protection remains crucial.

However, panellist noted that infrastructure for crypto assets is necessary, and its transformation is inevitable.

Verbeke said: "In capital markets, we see risks which are inseparable: counterparty risks, liquidity, credit, and settlement risks, etc. These risks are not associated with securities or with some elements of infrastructure, such as central securities depositories. They are related to any capital market."

"These markets created CSDs to manage their risks. We shall create our own roles, controls, and management procedures in the DLT world. This will let us operate in the same safe and effective environment."

Khmel commented: "Today, the crypto market and crypto exchanges lack funds from major institutional investors. These investors fear risks associated with crypto assets transactions. The parties lack the capacity and expertise of depositories which do not yet work with crypto exchanges."

Duvanov added: "Our goal is to contribute to the emergence of a new class of assets for investors, as well as the ecosystems for ICOs and for the circulation of digital assets on the secondary market".

"We head up the initiative for developing D3ledger, a distributed digital depository, which will perform CSD functions—record-keeping, safekeeping, servicing assets, and conducting settlements, in a decentralised environment."

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BCBS seeks views on leverage ratio treatment of client cleared derivatives

The Basel Committee on Banking Supervision (BCBS) has called for stakeholder views on the leverage ratio treatment of client cleared derivatives under Basel III.

The call comes with a consultative document, which considers opportunities to prevent excessive leverage, improve the quality and quantity of capital in the banking system, and promote central clearing of standardised derivatives contracts. The leverage ratio complements the risk-based capital requirements by providing a safeguard against unsustainable levels of leverage, and by mitigating gaming and model risk across both internal models and standardised risk measurement approaches.

As part of the finalised Basel III reforms published in December 2017, the Committee noted that it would conduct a review of the leverage ratio's impact on banks' provision of derivatives client clearing services and any consequent impact on the resilience of central counterparty clearing. BCBS has opened its review seeking the opinion of stakeholders on whether a targeted and limited revision of the leverage ratio's treatment of client cleared derivatives may be warranted.

Stakeholders are invited to provide "concrete and robust empirical evidence" to support their views.

The committee said it may consider a range of treatments, including no change to the current treatment and an amendment to the treatment of client cleared derivatives to allow cash and non-cash initial margin received from a client to offset the potential future exposure of client cleared derivatives.

The committee might also consider the alignment of the treatment of client cleared derivatives with the standardised approach for measuring counterparty credit risk exposures.

BCBS said this would have the effect of allowing both cash and non-cash forms of initial margin and variation margin received from a client to offset the replacement cost and potential future exposure amounts of client cleared derivatives.

KAS BANK launches new currency overlay solution

KAS BANK, a specialist provider of securities services to the UK pension industry, has launched a new currency overlay solution. KASHedge will provide pension schemes with a consistent method for predicting and managing currency risks.

This will grant pension schemes full control over their hedging strategies whilst providing transparency and creating cost efficiencies.

By enabling clients to implement one currency hedge based on the aggregate currency risks across the full portfolio, cost efficiencies are proven to be profitable of up to 10 basis points, research by KAS BANK found.

The solution is specifically designed to provide bespoke and tailored currency overlay service for schemes of all sizes and giving pension funds first time access to 'look-through technology'.

Meanwhile, for pension schemes with pooled investments, KASHedge identifies exposure to aggregate currency risks across the full portfolio. Additionally, the online nature of the platform will allow scheme managers and their consultants or advisors to play an active monitoring role by accessing the dashboard directly, KAS BANK revealed.

Matthijs Verweij, business development risk solutions, commented: "With a proven track record in custody, reporting and administration services, KAS BANK is best placed to calculate specific currency exposure in portfolios."

"Our commitment to fintech development in the pension industry means we're able to work closely with best in class partners and deliver unique solutions as custodian, fund accountant or 'data hub'. Ensuring our services meet the changing needs of our clients is at the core of our proposition and with our experience in the Dutch pension market, we are confident that KASHedge will solve currency hedging complexities and support the overall progression of the UK pension sector."

DTCC reveals new data offering

DTCC has revealed its new data product DTCC Equity Kinetics, for institutional investors seeking insights into US equity markets.

The new product analyses US equity market activity by providing a daily feed of trade data based on activity cleared through DTCC's National Securities Clearing Corporation subsidiary.

The data includes aggregated trade volumes for the market, the 10 most active brokers and an anonymous peer group of nine global brokers, by security and transaction type, covering buy activity and sell activity. It also includes historical data from December 2011 onwards.

According to Tim Lind, managing director of data services at DTCC, "post-crisis regulation and the related focus on increased transparency through transaction and trade reporting have led to a surge in demand for data generated from financial market infrastructures like DTCC".

Lind added: "We capture and optimise data from our processing engines and data repositories to provide innovative solutions that help our clients address challenges related to risk management, capital adequacy, liquidity and market transparency."

"DTCC Equity Kinetics allows clients to gain greater insight into movements and trends across select market segments and asset classes, and now joins an expanding portfolio of aggregated data solutions across various assets classes."

Pat Sharman, UK managing director at KAS BANK, noted: "Trustees in the UK market are increasingly under pressure to demonstrate high governance standards of pension schemes with subsequent reporting."

"As a fintech innovator, we want to assist with these challenges across the investment cycle and believe adoption of the latest tools and working with leading fintech partners is the most efficient and accessible way to do so."

Friso Postma, MatchingLink managing partner at KAS BANK, added: "KAS BANK has proven to be an excellent partner to develop a currency implementation of our artificial intelligence solution. Innovative thinking, agile working and the ability to think the startup way, have been very valuable to us. The implementation process has resulted in a solution we are all very proud of."

Technology solutions level the playing field in fixed income

Off-the-shelf technology solutions are helping non-bulge bracket fixed-income dealers increase market share across a range of capital markets products, according to a New Greenwich Associates Report.

Expensive technology is becoming one of the key drivers of success in fixed income, with large global banks with multi-billion dollar technology budgets benefitting the most, the report revealed.

According to the report, an increase in technology available from third-party providers means that everything from trading technology to RiskTech can be purchased and customised. This allows regional and middle-market dealers to auto-quote US Treasury prices alongside the world's largest dealers. Access to technology has had a direct impact on the market share of non-bulge-bracket firms, the report revealed.

Greenwich Associates' research found that the aggregate market share of non-bulge-bracket dealers has grown between 2013 and 2017 across at least seven of the fixed- income product segments that are tracked. According to trading desk heads


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Broadridge launches new asset servicing solution

Broadridge Financial Solutions has revealed its next-generation solution to address key industry, business and operational challenges with global asset servicing.

The new solution streamlines corporate actions, dividend and coupon processing across multiple asset classes, business lines and regions by automating the full asset servicing lifecycle, bringing scale, speed, accuracy and efficiency to firms globally.

It has been designed to help firms mitigate these drawbacks by standardising and automation processes for announcements, notifications, elections, accruals, entitlements, and settlements globally.

According to Broadridge, the new solution can support and enhance front office activities through comprehensive data management and analytics, helping traders and portfolio managers mitigate losses and pursue revenue generation.

Tom Carey, president of Broadridge global technology and operations, said: "The number of corporate actions is increasing across global markets—each one navigating a complex network of intermediaries and custodians."

"With fragmented systems and regulatory pressures increasing processing challenges, financial institutions need a modern solution that simplifies their architecture, streamlines the operations and improve risk management."

He added: "Our industry-leading solution—designed by users for users—simplifies the technology of our capital markets clients and helps their back-office functions drive real business and operational value."

and technology providers, the technology areas having the biggest impact on growing non-bulge-bracket market share are data and analytics, real-time information, client intelligence, and auto-quoting.

Kevin McPartland, head of market structure and technology research at Greenwich Associates and author of the report, said: "The ability of fixed-income market participants to interact electronically allows a middle-market dealer in Kansas City to find a new customer in Albuquerque and vice versa—without the need for a steak dinner or a cold call. Ten years ago, this interaction would not have been possible; not because the technology didn't exist, but because those middle-market firms could not afford the time or money to build the technology required. While the broad relationships and large balance sheets of the biggest banks keep them front and centre, the remaining business that is won based on speed and price is increasingly up for grabs in large part due to the leverage that new technology provides."

Progressive regulation to be catalyst for banking transformation

Forward-thinking regulation will be the catalyst for banking transformation, according to a new Deutsche Bank white paper.

The emergence of new technology solutions relating to open APIs, cloud, blockchain, and artificial intelligence, and their uptake on the banking industry, has driven increasing volumes of digital data. It has also driven volumes of new market players, business models, and evolving client expectations, Deutsche Bank revealed.

According to the paper, the transformative impact of these technologies will only be realised with further global regulatory alignment and acceptance of the "new realities" created by them. The paper noted that any regulatory approach must be: globally aligned, technology-neutral, digitally relevant, embracing of new solutions, and industry-led. Meanwhile, the paper highlighted a number of areas where

Appsbroker launches Cloud Data platform

Appsbroker, one of Google's largest European Premier Cloud Partners, has launched Appsbroker Cloud Data, a cloud data platform that delivers market and reference data.

According to Appsbroker, the platform will offer lower costs, greater flexibility in accessing market data, and remove the dependencies on legacy market data infrastructure and proprietary distribution technology.

The first data set launched on the Cloud Data platform is an Approved Publication Arrangements (APA) Aggregator, which is designed to help firms achieve better market insights.

It also aims to help firms prove compliance with the second Markets in Financial Instruments Directive (MiFID II) requirements, such as best execution. The APA Aggregator connects to a number of firms, which publish trade reports for post-trade transparency on behalf of market participants, according to Appsbroker.

Meanwhile, the standardised and flexible mechanisms enable the APA Aggregator to bring essential data to trading floors and to risk and compliance teams in real-time data, delayed data, and queryable historical database.

Alex Wolcough, director at Appsbroker Fintech, said: "In a post-MiFID II world, accuracy and reliability of data is core to regulatory reporting and compliance and provides increased levels of transparency in financial markets."

"We recognise the challenges that exist around data standardisation and understand the industry frustration with the quality of APA data in the market."

regulation may not yet completely account for the "new realities" of technology. For instance, legislation relies on traditional means of ensuring data and information security, which requires access to premises where data is stored on cloud for the purpose of physical audits. It was suggested that a re-think of this approach to focus on the advanced distributed platforms and cyber security tools employed by cloud service providers would accelerate the movement of core banking services to the cloud.

Thomas Nielsen, chief digital officer, Global Transaction Banking (GTB), Deutsche Bank, commented: "Technology provides us with a huge opportunity to change our business models, releasing some control of the component value chain in order to better meet the new needs of clients. Getting this right is something that can only be done through collaboration with regulators and a wide range of industry groups. We must be responsible—but we need to disrupt, or be disrupted."

Polina Evstifeeva, head of regulatory strategy, GTB chief digital office, Deutsche Bank, said: "Further regulatory alignment on a global level would greatly support the development of innovative technologies for global business. This is particularly important in the context of data protection and security standards—as long as the rules vary across jurisdictions, technological solutions will be constrained by local boundaries, diluting their potential to transform the industry."

Evstifeeva added: "This doesn't mean we have to establish a single global standard for regulation, however. The realistic goal here is attaining a threshold level of alignment across jurisdictions in order to unleash the full benefits."

Standard Chartered granted custody license in China

Standard Chartered Bank (China) has become the first foreign bank to be granted a domestic fund custody license by the China Securities Regulatory Commission.

With this license, Standard Chartered China will be able to directly participate in and provide custody-related services to investment

products offered by domestic funds and asset managers in China. With the continued expansion of China's economy and its corresponding growth in personal wealth, there is a growing demand for more sophisticated investment products and professional services, according to Standard Chartered. The news comes after Standard Chartered completed a pension plan reform and introduced unified asset management industry guidelines. It is also expected to introduce bond futures and other derivatives products in the future.

Bill Winters, group chief executive of Standard Chartered, commented: "China is of strategic importance to Standard Chartered. We are honoured to be the first international bank to be granted this licence, which coincides with the Bank celebrating its uninterrupted operations in China for the past 160 years. With the inclusion of Chinese shares by major world indices, China is already being recognised as a major financial market. We are excited to be part of this process as we work closely to support our clients in their custody needs."

Margaret Harwood-Jones, global head of securities services and transaction banking at Standard Chartered, said: "As a leading international custodian and an active market participant, it is our commitment to bring our integrated solutions, risk control framework and best market practices into one of the world's fastest growing capital markets. With this license, we are well-positioned to help investors navigate and capitalise on the opportunities in China's rapidly growing capital market."

Jerry Zhang, CEO and executive vice-chairwoman of Standard Chartered China, commented: "This is a big step forward in the further opening up of China's domestic financial markets and a testament to our commitment to supporting China's financial reform and innovation. We belonged to the first batch of banks in China providing onshore B-share custodian services in 1992 and, since then, we have been actively involved in the opening up of China's capital markets, providing one-stop custody services for Chinese financial institutions and making continuous contributions to the sustainable development of China's economy."

DEPObank selects BNY Mellon for global custody services

BNY Mellon has been chosen by DEPObank to provide global custody services for its foreign equity portfolio.

DEPObank offers global custody services to over 100 clients, including Italian banks, mutual funds and pension funds.

BNY Mellon will become the sub-depository for the custody of foreign equity assets in Q1 2019. Paolo Tadini, CEO and general manager at DEPObank, said: "Knowledge of the markets and operational excellence of the two organisations will translate into quality and growth for our customers."

Tadini added: "The pedigree of BNY Mellon and its global reach significantly enhance our offer on the domestic market. The operational excellence and synergies that come from working with BNY Mellon will translate into innovation and quality, as well expand the range of services available to our customers."

Daron Pearce, the Europe, the Middle East and Africa CEO, asset servicing at BNY Mellon, added: "This strategic development for both DEPObank and BNY Mellon will allow both parties to grow together."

"We are delighted to have been chosen to work with DEPObank and the decision is recognition of our strong commitment to the Italian market."

The time is now

Haytham Kaddoura of SmartStream discusses why the company has waited until now to launch its Innovations Lab, which focuses on AI, blockchain and digital payment solutions

Maddie Saghir reports

What is SmartStream currently working on?

We are currently concentrating on strengthening and adding to our core platforms, including our reconciliations and our cash and liquidity management solutions. We are also in the process of further expanding our Innovations Lab which spearheads our artificial intelligence (AI), blockchain and digital payment solutions.

How is technology affecting and disrupting the industry?

In many ways, the rise of digital payments is increasingly and rapidly shifting the dominance of the payment cycles away from traditional financial institutions to tech companies like Apple, PayPal, and Google as well as a host of other players that were never envisioned to be in this space even five years ago.

If you look at bitcoin or digital currencies and the rise of payments through predominantly mobile platforms such as WeChat with WePay, and similar platforms in Africa and Latin America, this shift has been transformational, and even though they have gained massive backing in their respective geographies, it has proven that this is a concept that it is bound to sweep across the globe. We are beginning to see it in the US as well as Europe and that's why we have chosen now to introduce our digital payments solution.

What opportunities have you seen in the industry over the last 12 months?

There has been continued stress on strategic outsourcing by banks over the last few years in an effort to build efficiencies and realise cost economies. This overlapped with an increasing pressure to move increasingly strategic operations rather than generic functions, accompanied by a greater drive on operational transparency by regulators. Cumulatively these have acted as catalysts for our managed services offering whereby we uplift components of bank operations, particularly those related to our platforms, and in return provide for greater cost efficiency, reporting transparency, and high level of accuracy sought after by some of our global tier one clients.

While the above addressed discrete and tangible benefits, the industry continued its drive towards working more intelligently. We decided after witnessing all the clutter and confusion about AI and blockchain to wait it out. We realised there was going to have to be a culling that would separate the 'wheat from the chaff'. Many people and companies were saying: 'we have blockchain, we have AI'. We understood that some of those solutions were just simply visionary notions as opposed to any real demonstrable outcomes. In the beginning you had people going out there and saying 'we've got a solution', and it's just two guys in a basement and it's really not a solution, it may be a technology or the beginning stages of a technology but it may not have a real use or be perfected enough. Then there's the next stage when the terminology begins to gain momentum and people start to jump on the bandwagon. That's when you have companies already established in the marketplace rebranding or repurposing existing products to fit the new terminology.

We wanted to see where AI and blockchain were going before we entered into it because we have a name and a reputation which we wanted to uphold. Now, we think it is the time for us to get out there and do what we can uniquely do with our expertise and create solutions using this new technology that isn't novel because of the technology itself but because that technology helps us deliver better results. We wanted to make sure people understood this is something few other companies are offering and that there is a value we can uniquely provide. That is an important distinction.

The market has matured somewhat and is now entering a shakeout period and we think people have a greater level of understanding of these new technologies and are more interested in hearing our message and understanding our value proposition. It is similar to the early days of the internet when no one could figure out how to monetise it and then after those companies without a viable product or business model left the marketplace the internet redefined itself and became a very different entity and medium for commerce.

For SmartStream this isn't just talk, we have launched our Innovations Lab which is a purpose-built think tank that's sole mission is to analyse and assess various AI and blockchain technologies, build our own solutions then turn them over to our technologists to productise them. We built our first centre in Vienna so we could avail ourselves of noted experts in the field including the head of the lab Andreas Burner, who is now serving as our chief innovations officer. We're very happy with the reception our entry into the marketplace has received.

There have been many requests asking us to speak at various events, many existing customers have contacted us to learn more and we've actually received a lot of interest from companies that were aware of SmartStream but couldn't use our existing suite of solutions. Now with digital payments and some of the advancements, we are making with blockchain and AI they have asked to meet with us to learn more.

Frankly, the reaction we've received has been somewhat of a surprise. We knew our entry would mean something and would capture a select audience but the appeal has been much wider than anticipated. We were invited by Swift to speak at this year's Sibos in Sydney, about AI and blockchain and it was standing room only.

The key message is that experience is very important. The experience is quite significant and is important to gain the customer's trust, particularly in the financial services industry. It is crucial to have a strong and stable background as they want a player they know they can rely on and is going to be there in the next ten years, as we done so over the last 30 years. We have six data scientists on board, working exclusively on finding new developments and the first is our digital payments solution. Experience, trust and employees with an unmatched skill set are unbeatable.

What are the biggest challenges in the industry? How is SmartStream rising to these challenges?

There are always challenges and naturally, in the finance space, they have continued. Financial institutions have to contend with more rules and regulations than ever before, the banks are in more countries than ever before and often these countries or regions have different regulations to contend with and all this has to be adhered to without spending more. The banks like any business want to do more with less, saving money while finding a way to make more money. Luckily, our solutions help with all of this. We streamline processes, provide greater visibility, and transparency and can do it all at a lower cost, freeing resources.

We also have a distinct advantage as a truly global company. We can spot trends, such as AI and payments, in one region, and immediately see how it transfers to other markets.

What is on SmartStream's agenda for 2019?

Over the next couple of years, we will continue investing in the digital payments space to come up with new solutions. We will be working on delivering more AI and blockchain solutions to the industry and solidifying our leadership position in different domains, whether that is in reference data, utility data or different initiatives with blockchain and AI.

I am looking forward to some very exciting years ahead with new solutions and addressing the industry's needs, as well as staying nimble so we can address any new requirements that may arise.

SmartStream is still growing by leaps and bounds. We are on target for our most profitable year ever, with record year-on-year growth. We are going to have more employees than ever before in the company's history and this is while others are folding, looking at refinancing and being beaten by competition or the market itself.

Our bread and butter solutions are still evolving and are constantly being enhanced while we continually look for new and better ways to solve problems and bring value. We don't really plan for 2019, to be honest, we are already planning for 2022. That is how we do things because that's how you should do things. We're very lucky since we aren't a public company and have great backers who believe in us, we don't have to go to the market and ask for money, we don't have to worry about quarterly numbers to make the market happy. We can look at the long-term health of the company and the future of the solutions. We are always minding the store but we're also always looking to add on a whole new wing. **AST**

The starting point of new initiatives

As the Netherlands holds its own among many financial hubs within Europe, Amsterdam is a leading location for trading venues and, most of all, remains an enviable pension fund stronghold

Jenna Lomax reports

"Even though Amsterdam is not as large or recognised as its neighbours Frankfurt or Paris, it remains an important hub for international asset managers and the country's large pension fund industry," that's according to Jeremy Albrecht, head of global client coverage at RBC Investor and Treasury Services, Luxembourg.

He adds: "The country encourages entrepreneurship; it is a mature market with a qualified and skilled workforce able to speak many languages." But though the Netherlands used to be a strong pillar for asset servicing in Europe, it is the opinion of some, that it has lost a little of this power, as Roel van de Wiel, head of coverage, sales and relationship management, for the Netherlands and Nordic region at Societe Generale Securities Services, states.

He says: "Contrary to many other European countries, large Dutch banks do not provide asset services on a large scale anymore. Dutch institutional investors therefore only have a limited choice of providers they can choose from."

But having said that, he adds: "The market environment is fierce in terms of competition, but as investor protection has been put to the forefront of the industry through new European regulations, there is no doubt that European institutional investors will appreciate the strong capital protection European asset servicing providers have to offer."

But, Marvin Vervaart, asset owner segment head at BNY Mellon for Europe, Middle East (EMEA), says there is currently still plenty of room for asset management/servicing opportunities in the Netherlands.

He says: "The Netherlands is very important for asset services, taking into account the huge and still growing assets under management." But he adds that it doesn't stop there.

"The Dutch market is often the starting point of new initiatives, for example on the introduction of derivatives 360 services a decade ago, to the recent adoption of environmental, social and governance (ESG) principles in investment processes."

Another important topic for Netherlands asset management and servicing, is the total expense ratio (TER).

As van de Wiel, discusses: "When it comes to TER and costs for safekeeping and depositary services, institutional investors are increasingly understanding that it's not necessarily the lowest cost per processed transaction that determines the 'value for money' they pay to their asset servicing providers. The true 'value for money' for safekeeping and depositary services comes from the level of protection you receive for the fee paid with the ultimate line of defence being the provided capital protection."

Choosing Amsterdam

Though the competition may be high, as van de Wiel previously mentions, a number of banks have still risen above the competition in the capital of Amsterdam.

Recently, Euronext partnered with ICE Clear Netherlands for access to clearing services for its financial derivatives and commodities markets, with its clearing operations run from Amsterdam.

Evidence of further successes lay in a recent market valuation of Amsterdam-based, Adyen NV, a technology company offering payment processing services worldwide.

Its market valuation has soared since it began trading on Euronext Amsterdam in June 2018. On 20 June this year it was trading at €415.10, giving it a market capitalisation in excess of €12.2 billion.

Pensions and fund services

But there is no question that the Netherlands biggest strength lies within its pension fund industry.

As Vervaart says: "The Netherlands still has one of the best pension regimes worldwide which requires a profound service model with a local approach leveraging global capabilities. They tend to focus on the core of managing their assets and matching liabilities in the case of pension funds."

And, as Punit Satsangi, managing director and head of Europe, the Middle East and Africa, business development at SS&C Technologies, indicates: "This [pension funds] leadership has, in part, been led by the phenomenal rate of pension fund consolidation in the market."

Satsangi affirms since the end of 2005, the total number of pension funds has dropped from 800 to 365, and this trend is not showing any sign of slowing, he says. And reports of this number reducing to 100 are regularly reported in the Dutch press, he adds.

Satsangi states this consolidation "has enabled Dutch pension funds to significantly reduce their asset management costs and internal costs for running combined pension funds". As a result, investing in alternatives is an increasingly popular trend as the search for higher yield investments continues.

Satsangi suggests: "Asset managers in the Dutch market, need to partner with asset servicers that have embraced new technologies which can improve efficiencies, oversight and costs. Early adopters will be able to stay ahead of the competition and continue to provide low-cost products to their pension fund client base."

Technology

As well as having an enviable pensions industry, right now in the Netherlands, there is a national conscience for environmental, social and governance (ESG) initiatives which spans beyond the boardroom and fintech startups. But in asset management specifically, this is underpinned by a focus on automation and the streamlining of operations to save energy but also to create efficiencies, improve compliance and make cost savings.

Commenting on how this trend is set to continue for the future, Vervaart says: "New technology will continue to shape the agenda, including application programming interface, machine learning and robotics. Fintechs will add value through specialised services and we are likely to see a greater use of regtech to support compliance and risk management."

He adds: "Asset managers that embrace robotic process automation and artificial intelligence will have a competitive advantage and make themselves attractive to investors."

Satsangi says within the asset servicing industry specifically, disruptive technologies such as cognitive systems artificial intelligence (AI) and blockchain, "provides asset servicers with enormous potential to create efficiencies, improve the quality of service to their clients, reduce risk and ultimately create cost savings. Furthermore, these technologies will help the asset servicing industry to replace outdated, poorly integrated systems and multiple technology platforms", he affirms.

A little thing called Brexit

Quite pessimistically, professional services firm PwC recently said disruptions to the level of market access in financial services as a result of Brexit will leave "no 'winners'".

PwC's report, released in March 2018, focused on the impact of the loss of mutual market access in financial services across the EU27 and the UK. It predicted disruptions would be "economically costly" to the UK and remaining EU members, including the Netherlands, incorporating "both gains and losses" economically across Europe.

As Satsangi, states: "There is a risk that the negotiations between the EU27 and the UK could lead to international capital market fragmentation and financial instability, to the disadvantage of both sides."

PwC's report further showed that while Frankfurt has emerged as the likely recipient of the largest amount of relocated activity (particularly from US and Japanese banks), a number of other cities have also been predicted to benefit, this included Amsterdam. Furthermore, a later study conducted by Liquidnet, found respondents predicted Frankfurt to emerge as the European beneficiary of Brexit, but interestingly, Amsterdam was predicted to be the main location for trading venues.

But for now, as van de Wiel, states: "Amsterdam, in general, has made its preparations to deal with the challenges and opportunities Brexit may bring."

But reassuringly, where business across Europe is concerned, Satsangi reassures that SS&C, in particular, "[Continues] to review the political landscape as it develops to ensure that we are in a position to help our UK clients that need to promote their products in the EU or, EU-based clients that need to promote their products in the UK."

He adds: "By supporting our clients in key EU jurisdictions—Dublin, Luxembourg, Netherlands and parts of Scandinavia—we have ensured that our clients are covered in a future environment where the UK is no longer part of the EU." AST

Custody is core

Industry participants discuss global custody trends, challenges and predictions for next year

What trends are you seeing in the global custody space?

Valerio Roncone: The strong increase in new technologies, approaches and players has resulted in a significant digital transformation that is affecting every aspect of modern life and industry. Every organisation—regardless of industry—is faced with the challenge of fundamentally rethinking its internal structures and processes, its employee culture, business strategy and, in particular, its relationships with clients. The heart of the challenge lies in adapting all of these things to this rapidly changing environment while remaining stable.

Custody is a fundamental function at the core of the entire ecosystem. Although the current setup is complex and perhaps less cost-effective than it could be: custody continues to provide peace of mind for those who know how financial infrastructure works. Any fundamental change to this stable environment needs to be carefully managed as it cannot tolerate less security, stability, reliability and accountability than we are currently used to getting in favour of any other advantage.

So, what does digitisation mean for the global custody space? Will it change how custody works today? Or the way we provide it? For SIX, as a provider of an infrastructure that guarantees the flow of information and money across the globe, the digital revolution is challenging in a number of respects. To succeed going forward, we are focusing on two pillars: innovation and stability. Experienced, future-oriented employees are optimising existing services and are continually developing new systems and offerings for the financial technology of the future. However, these innovations can only be successful in an environment that offers long-term planning and security.

Marc Briol: The 2007 and 2008 financial crisis marked a turning point in our industry, as depressed asset values and low-interest rates compromised several profit drivers. Although assets values have since recovered, other market dynamics emerged and are shaping a very different landscape.

Despite a general freeze in credit markets following the crisis, private equity firms accumulated substantial funds and invested them heavily as soon as private assets were on sale again.

The complexities associated with these products drive a need for specialised and dedicated units with specific expertise and technology. We expect this trend to continue over the coming years.

In parallel, regulatory requirements geared at reducing systemic risk and protecting investors, in particular, those regarding asset protection, are clearly pushing asset managers and asset owners towards well-rated custodians. At the same time, these requirements fuel new competition from market infrastructures, for example, central securities depositories (CSDs) and central counterparties (CCPs), as well as specialised service providers capable of leveraging targeted aspects of these regulations, for example, know-your-customer (KYC), data protection, cybersecurity.

In this context, we see technology as a strategic component. Digitalisation drives innovative client solutions and improves operational efficiency.

Jane Karczewski: There are an increasing number of exchanges and central securities depositories moving to distributed ledger technology (DLT)-based solutions. We are also seeing third-party providers of stand-alone services driving best of breed assessments and hence putting pressure on pricing.

Artificial intelligence (AI) and robotic process automation (RPA) continue to show great potential but are largely underdeveloped at present with pockets of utilisation largely tested internally.

They are not yet impacting the operating model but are likely to do so in the future.

Increase in demand for emerging markets access, and local market expertise, as both initial public offering (IPO) opportunities and passive tracking investment, including exchange-traded funds (ETFs) increases.

Increased strategic internal partnerships within the global investment banks to offer solutions to clients outside of pure custody or fund administration, with a heightened recognition of the importance of balance sheet, liquidity and related collateral management.

Jeremy Albrecht: The traditional custodian has evolved from being an information intermediary to a technology and data-centric business—driven largely by customer demand, regulatory change and a highly competitive environment. As such, an asset servicing provider's ability to be innovative about the way it leverages data held for clients has become crucial to its success, with an array of creative data solutions developed by custodians to help asset managers make better-informed investment decisions and accurately target the right investors.

Technology has become critical to increasing cost efficiencies in custody and fund administration, but also for decreasing risks and placing more emphasis on the client experience by improving straight-through processing, timeliness and accuracy. As such, we have also seen a large investment in technology throughout the custody industry.

What is your company working on right now?

Karczewski: HSBC Securities Services is one of the strategic growth areas within HSBC. Our goal is to be closer to our clients as we build for the future of custody across all areas of the value chain. With client requirements clearly in mind, and to ensure that we focus our investments on their needs, we are realigning all functions to serve our two focus client areas; banks and broker-dealers, and asset owners/asset managers. Tailored to each segment, we are deploying significance resources to enhance our full custody offering via new systems and technology and digital and data investment.

Roncone: One of the most important projects of SIX in the next few months will be the development of a fully integrated trading, settlement and custody infrastructure for digital assets. We are regulated as an operator of financial market infrastructure (FMI) by the Swiss Financial Market Supervisory Authority (FINMA) and monitored by the Swiss National Bank (SNB) due to some of our services that are systemically relevant.

Therefore, our intention is that the planned 'digital asset ecosystem'—SIX Digital Exchange (SDX)—will enjoy the same standard of oversight and regulation.

SDX will be the first market infrastructure in the world to offer a fully integrated end-to-end trading, settlement and custody service for digital assets. The service will provide a safe environment for issuing and trading digital assets, and enable the tokenisation of existing securities and non-bankable assets to make previously untradeable assets tradeable.

The service will be mainly based on DLT. The implementation approach will provide a bridge for clients from the traditional to the new world in a timeframe which allows clients to choose for themselves how and when to avail of the new opportunities the new ecosystem provides.

Albrecht: We are focused on designing and delivering digitally-enabled products and services to transform the way that we interact with clients.

To assist with these efforts, we have recently added many new high-tech jobs to our Toronto, Malaysia and Luxembourg agile labs which work directly with our clients to develop and deliver innovative solutions and products across the business on an iterative basis.

Briol: We focus most of our energy on improving customer and user experiences. Our multi-year product strategy aims at designing value-adding services, focused on the most sensitive needs of our clients. In this context, we plan to launch a new digital tool, capable of supporting fully customisable and real-time information flow for our clients.

In order to implement technological changes, we recently created a new division, concentrated on delivering technology and operational support. This division will support all the operational units of the Pictet Group, including Pictet Asset Services, the business unit providing its clients with custody, trading and fund services.

Other initiatives include the continued implementation of RPA across numerous operational tasks. We are one of the first founders of FundChain, an innovative group exploring blockchain technology-based solutions for the fund industry. We have also created our own fintech startup: Pictet Technologies whose purpose is to develop and create innovative solutions.

Finally, our group firmly believes in our responsibility towards environmental, sustainability and governance (ESG) issues. We are implementing extensive reporting solutions and we facilitate active ownership via proxy voting services.

In this regard, what are the main challenges you are facing?

Roncone: SDX will solve some of the biggest challenges our clients face in investing in the crypto space: transparency, security and accountability. This is the reason why it is key to implement clean processes in the new ecosystem. We call this 'know-your-coin'. We need to ensure with SDX that the assets underlying the digital assets are not of criminal origin. If we succeed, institutional investors, for example, will be among the first to benefit from SDX.

Karczewski: The main challenge is managing the volume of client demand in an ever-changing landscape, and coping with the wave of third-party partner solutions to be considered. Buy or Build has always been an important consideration for the industry, even more so now as speed to market becomes more critical for our clients who are chasing returns in challenging markets.

How is technology shaking up the custody business?

> *The advent of DLT has stimulated a number of interesting developments in the custody business, with some exchanges and CSDs moving to DLT-based solutions*

Jane Karczewski
Head of global custody
HSBC

Briol: Technology has completely transformed the possibilities for customer/user experience, product design and operational efficiency. It is the cornerstone of our strategy towards client satisfaction and sustainable growth, and against the challenges posed by competition, regulation and the economic environment in which we operate. In turn, our ability to design new solutions and deliver them through digital channels heavily depends on our ability to process, store and manipulate large amounts of data.

Another set of opportunities lies in the ability to playback data for the benefit of clients, benchmarking their activities against selected peer groups. Portfolio performance, attribution, risk and cost analytics can provide a great value when portrayed in the right business context. Similarly, the ability to compare a client's trends versus industry flows has proven to be highly valuable.

As a matter of fact, technology destroys every form of economic rent and rewards first-time movers. Its increasing importance fosters a new competitive landscape, allowing 'non-traditional players' (such as specialised software providers and fintechs) to move into the business.

Albrecht: Technology remains ever-present within custody as providers such as RBC I&TS continue to help their clients increase transparency, lower costs, reduce operational risk and respond to changes in the regulatory and operating environment.

RPA also continues to gain traction in order to simplify work and improve the client experience through enhanced controls, accuracy, turnaround times and productivity. We expect RPA will continue to grow and evolve within the custody sector.

Karczewski: The advent of DLT has stimulated a number of interesting developments in the custody business, with some exchanges and CSDs moving to DLT-based solutions. This is challenging the core custody business model which is largely transactional and process driven. It is driving the focus on added value elements, such as client services, balance sheet, liquidity, market access and through leadership. Nonetheless, it may be some years before the DLT potential is fully realised, largely due to the wide variety of solutions regionally and by the implementation.

The demand for APIs has become more prominent, bringing clients and custodians closer together. They are enabling greater efficiency and real-time machine to machine communication is reducing operational overheads. By closing the gaps, this also enables clients to better leverage the data held by custodians for advanced analytics.

Roncone: While disruptive technologies such as RPA, AI, DLT and application programming interfaces (API) have a role to play in the industry, their integration into systemically important infrastructures needs to be appropriately risk-managed. The Swiss Stock Exchange, for example, is a systemically important financial institution and subject to heavy regulation. The rollout of such disruptive technologies requires adequate operational insight and experience. If technological change is applied to systemically important financial institutions with little forethought paid to interoperability or risk, markets could grind to a halt.

There is increasing pressure and demand from the market for traditional companies to start dealing with and investing in digital assets as well as to establish clear accountability. The adoption of, for example, DLT in a safe and permissioned environment such as SDX will allow the financial industry to become more efficient and to remove surplus costs from manual processes. It will also allow the industry to test and adapt to the new technology. More importantly, such a safe and permissioned environment will provide regulators with the insights needed in order to be able to craft adequate rules and regulations.

What other opportunities do you think are presented in the custody space?

Roncone: From an infrastructure point of view, there are a lot of opportunities coming along with the multitude of new EU regulations affecting the securities industry. For example, infrastructure service providers such as SIX increasingly have the opportunity to offer centralised services in the area of taxes, as a data provider or for general meetings and proxy voting services. Or even for collateral management services as a triparty agent.

Briol: Aside from opportunities derived from technology, we are witnessing a strong growth in 'complex' custody. Its main consequence for us relates to our ability to provide tailored solutions and expertise at a reasonable cost.

We also observe a need for market insights: asset managers and asset owners need guiding partners to pursue their portfolio of

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strategic initiatives, especially at times when calculated bets are needed to reshape their business models. Regulatory expertise is one key component, through which we anticipate future impacts and support our clients identifying strategic options and adopting the most optimal trade-offs.

Another component can be achieved through benchmarking analysis at multiple levels (e.g. performance, cost, risk), either via tactical reviews or through the setup of standard information flows and alerts/notifications.

Without recommending specific outcomes and approaches, this combination of analytics, raw data and regulatory expertise is becoming a strong differentiator.

What regulations do you think have had an effect on the industry? And are there any others in the pipeline?

Roncone: At SIX (and this may also be valid for all FMIs in Europe), it was a fundamental change to be regulated as an infrastructure and no longer as an institution with a banking license. In this context, the Central Securities Depositories Regulation (CSDR) and FMI Act in Switzerland, with all its peculiarities, is an ongoing challenge due to new settlement-fail processes.

Not only regulation but also non-regulatory initiatives have had a huge effect on the industry. TARGET2-Securities (T2S) is probably the biggest project the industry has been faced with so far. The migration of European CSDs to T2S will, in future, also influence our national and cross-border network as well as our services: the plan for T2-T2S consolidation in 2019; or the centralised collateral management system for T2S markets in 2020.

Karczewski: In the past year, those European regulations and changes which have had a significant effect on the industry include the second Markets in Financial Instruments Directive (MiFID II), General Data Protection Regulation (GDPR), The Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation and Brexit. All have had a significant impact on our clients from a cost and resource point of view. They have been a catalyst for many asset managers to consider outsourcing to assist in oversight.

New requirements under MiFID around best execution, inducements, research, costs and charges and quarterly client asset statements have been introduced. GDPR affects personal, not corporate data, but all industry participants controlling or processing the data of EU subjects and others have radically had to upgrade their data protection and management and to put processes in place to demonstrate compliance to supervisors.

PRIIPs has been as onerous as MiFID II in many areas, creating key information document (KIDs) for customers and new analysis of costs and charges such as determining the 'arrival price' of a trade. Brexit planning has reached the point of no return for many industry participants, with UK entities planning to service UK customers, and EU27 entities planning to service EU27 customers, notably in respect of UCITS and alternative investment fund (AIF) distribution.

CSDR, and the Securities Financing Transaction Regulation (SFTR) reporting obligations are likely to be the key focus of 2019. CSDR requires the offering of CSD-level segregated accounts by CSD participants to the participants' clients. Also, the quarterly aggregated reporting of internalised settlements and changed settlement discipline including mandatory buy-ins. SFTR reporting for transactions including repos and stock lending is expected to apply from Q4 2019 or Q1 2020, dependent upon the issue of regulatory technical standards.

The cost of the reporting implementation is not to be underestimated and could have a knock-on effect on the use of financing transactions, or a consolidation of providers. Outside of Europe, there are expected changes on the horizon is in the US (Volcker Rule), the Middle East (legal and process changes) and the Asia Pacific (derivatives and funds reporting, structures and upgrades).

> *MiFID II had a significant impact across the entire servicing value chain and towards both asset managers and asset owners*

Marc Briol
CEO
Pictet Asset Services

Briol: MiFID II had a significant impact across the entire servicing value chain and towards both asset managers and asset owners. Inducements, either related to the cost of research, portfolio management or investment advice, transformed the economics underlying these activities. Product governance and distribution were also significantly impacted, especially under the combined effect of MiFID II and PRIIPS.

While the impact of MiFID II is still being assimilated by the industry, new regulatory requirements recently entered into force or will soon take effect. These include the General Data Protection Regulation, the Money Market Funds Regulation, the PRIIPS review, SFTR and the Shareholders Rights Directive (SRD).

Are you still seeing a decline in fees within the asset servicing industry?

Revenues across the securities services industry have effectively declined over the past decade as financial institutions face a surge in regulatory costs and client pushback on fees

Valerio Roncone
Head of business development
SIX

Albrecht: Pressure continues to mount on asset managers to improve their performance and efficiency. They are heavily affected by regulations including MiFID II. This means they are increasingly looking at ways to outsource and work with asset servicing providers to reduce their costs and we don't see that changing any time soon. As a custodian, we can offer a more cost-efficient service, due to our economies of scale, compared to the asset managers undertaking the functionality in-house.

Briol: One of the effects of the financial crisis that is still ongoing is the sharp decline in formerly lucrative activities, such as securities lending and foreign exchange. While asset values recovered, low-interest rates and regulatory requirements are preventing profit drivers from returning to pre-crisis levels. In our view, this makes it difficult for any provider to reduce fees without either compromising service quality or long-term investment capacity. Finally, fee trends are very difficult to assess at market level, as many providers bundle custody services with other activities and leverage cross-selling initiatives to optimise fee schedules.

Roncone: Revenues across the securities services industry have effectively declined over the past decade as financial institutions face a surge in regulatory costs and client pushback on fees. Responding to this challenge will require the industry to channel resources into technology and digitise many of the manual processes in the securities transaction chain. By facilitating automation and removing intermediation, growth in the securities services business could accelerate.

Karczewski: There is an ongoing pressure on fees. This is one of the reasons for the ongoing need to drive efficiencies. Deployment of new technologies like robotics and AI will support these efforts. At the same time, the cost of managing the complex global infrastructure, operational risk and regulatory oversight is significant. Therefore, there are limitations in what service providers can do to reduce the overall cost to their clients.

Is there a declining number of firms offering custody due to industry consolidation?

Briol: Today, we estimate that 60 percent to 70 percent of global assets under custody are held with the top 10 providers. In parallel, we are also witnessing large players exiting selected activities and selling them to more recent or even newcomers. In our view, the number of firms offering custody is ultimately determined by the evolution of client needs. As they become more differentiated by segment, for example, tax services for private banks, dedicated portfolio accounting for pension funds, dedicated performance attribution methods), they require more tailored solutions, expertise, tools and processes. Also, regulatory supervision around systemic risk places an additional burden on large players. These trends suggest that industry consolidation may have reached its tipping point, while innovative solutions and 'first mover' initiatives tend to originate from newcomers, sometimes even outside traditional banking, for example, software providers, fintechs/regtechs.

Roncone: From a CSD point of view, the overall number of European CSDs is stable. But as indicated earlier in this piece, we expect that CSDR, T2S and regulations such as Shareholder Rights Directive II will accelerate competition, even more, resulting not only in harmonisation but also in a review of business models across Europe, likely ending up in more sophisticated asset servicing. Additionally, the burden of projects like ISO 20022 will foster collaboration and interlinkage across financial institutions and markets, and potentially have an impact on the number of financial companies and market infrastructure providers.

Karczewski: Although we do not yet see a reduction in firms offering custody per say, there are certainly firms scaling back their offering to focus on core strengths, and then partnering with other firms

We will see a greater number of asset managers outsourcing specific services to custodians to benefit from economies of scale and therefore reduced costs

Jeremy Albrecht
Head of global client coverage Luxembourg
RBC I&TS

to complement the solution. As an example, local custodians will continue to play an important role due to local regulatory requirements and fiduciary responsibilities. They are, however, unlikely to want to play at a global level and will, therefore, partner with a global custodian to do so.

Finally, what predictions do you have for the custody industry in 2019?

Roncone: As the services, the industry provides become increasingly commoditised, new and more nimble players are entering the spaces the industry once defined. The challenge for post-trade service providers is to establish a coherent set of strategies that ensure continued growth in value for their clients and, ultimately, the end investor.

The aim of any effective post-trade service provider should be to develop the capabilities to solve problems and create real value coherently across the entire market. Therefore, post-trade service providers need to focus on new service creation and revenue opportunities if they are to continue to create value beyond being 'simply operational'. To achieve the same level of innovation, post-trade service providers need to consider partnering with other companies such as smaller, more agile fintech companies.

Albrecht: We will see a greater number of asset managers outsourcing specific services to custodians to benefit from economies of scale and therefore reduced costs. Due to greater scrutiny from regulators, asset managers can no longer afford to perform the same services in-house that they did five to 10 years ago. In 2019, I would also expect continued attention to be on anti-money laundering (AML) and KYC activity due to increased scrutiny from the financial regulators.

Briol: The client landscape, technology evolutions and regulatory requirements are the main driving forces shaping our industry, and this is likely to continue in 2019. In the absence of any single 'one size fits all' winning strategy, we anticipate a multitude of different responses to these challenges. Our position is to develop initiatives which are consistent with our clients' needs and with our strategy. We intend to leverage Pictet's strong investment capacity and we strive to constantly improve our project execution capabilities.

Karczewski: Based on a number of conversations with clients and peers across all sectors, we envisage further steps to harmonisation of specific processes which are ripe for automation, such as standard settlement processing, standard KYC and account opening amongst others. Data provisioning and analytics will also continue to grow as our clients see the potential for custody data to assist in investment making decisions. AST

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Head of business development,
member of the management committee,
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SIX

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Collaborative change

Ripalda Ciero of MYRIAD Group Technologies explains that a change in the business environment comes a need to change activities, processes and solutions

It is commonly accepted that the business environment encountered by today's network managers has changed over the last few years. Network managers have had to adapt to new challenges and in turn, this has changed the network manager's role in the financial services industry. With a change in the business environment comes a need to change activities, processes and solutions. Change begets change.

One notable development in the network management space is the requirement to assess risk in a transparent manner; therefore, adopting a well thought-out and articulated due diligence programme is essential for network management teams. The time and effort required to identify, develop and train individuals to be able to define such programmes may prove to be costly and difficult to measure. Certainly, amid changing regulatory requirements, due diligence programmes are themselves subject to constant review and refinement. Likewise, establishing consensus amongst all parties involved in due diligence can be a monumental task, considering the varying perspectives of legal, tax and audit departments, notwithstanding any personnel changes that may emerge.

Once the framework for due diligence has been established, additional resources are required to action the process. Whereas in the past, a well-regarded relationship and a small set of Q&As may have sufficed for a complete due diligence cycle, today it requires much more. More company resources and more effort from the network manager are called upon. Detailed documentation coupled with on-site visits are the new norm for any due diligence cycle, as is the analytic review required before completion and sign off.

The change in focus for a network manager, along with the ever-changing regulatory landscape, has worked to bring about change in the network management community and the wider financial services industry. Change has been both positive and innovative as the community has worked collaboratively and shared knowledge amongst peers to standardise due diligence in the financial industry, for example, industry standard questionnaires. The sharing of invaluable expertise to identify and assess the questions that must be asked for sound due diligence is not to be understated. It is a testament that the community acknowledges that due diligence cannot take place in silos.

Acknowledging that due diligence must be a collaborative effort has also driven change in the technology space. For a technological solution to be viable for today's network manager, it needs to embrace standardisation and collaboration within the industry.

Additionally, a technological solution is also required to be flexible, allowing individual institutions to tailor and meet their internal bespoke due diligence requirements. Adapting any new technology solution on offer may then drive further change to the network manager's role and to the industry itself. Thus, the true nature of change itself is revealed, always cyclical and constant, which allows for clever solutions to tackle change seamlessly and without hesitation.

Worldwide demand is continuing to grow

Eduard von Kymmel of VP Bank runs through infrastructure funds in 2018 and explains why the asset class has a promising future

The number and volume of infrastructure funds is steadily rising and 2017 might even have been a record year for this coveted asset class. Fund raising in 2017 was significantly higher than in 2016. In historical terms, Australia and Canada have long-term experience of this asset class. Some pension funds in these countries invest up to 15 percent of their total assets in infrastructure assets (brownfield) and infrastructure projects (greenfield).

By contrast, while European investors have taken longer to develop interest, they are now steadily raising their allocations. In this conjunction, Dutch and Scandinavian pension funds are currently the biggest investors in these asset classes.

But what are the main reasons for the steady growth and extensive demand for investments in infrastructure projects, and what are the characteristics of this asset class and their sustainable nature?

Why infrastructure funds?

There are essentially two reasons and interest groups when it comes to investing in infrastructure projects. On the one hand, states have been very keen to involve the private sector, while on the other, institutional investors, in particular, are searching for alternative investment opportunities to classic assets.

In developing, emerging and industrialised countries, a huge shortfall already exists when it comes to financing infrastructure projects. This is because many national budgets are already exhibiting substantial deficits, making strict budget austerity necessary. According to the the Organisation for Economic Co-operation and Development, there will be a shortfall of approximately $60 trillion when it comes to funding important infrastructure projects over the coming 12 years.

The background to these important projects are, inter alia, steady population growth, economic growth, and frequently outdated and inefficient infrastructure.

In order to prevent public security risks, while at the same time avoiding high government spending, states are increasingly endeavouring to privatise these projects and tasks, or to fund these through the private sector. Investment funds can be a suitable vehicle for this.

On the other hand, investors with long-term outlooks, such as pension funds, foundations or insurers are searching for alternatives to low-interest bonds, money market instruments or real estate assets, while at the same time providing protection against inflationary risks. Such investors aim to secure stable long-term cash flows, in order to balance the maturities of their assets against their liabilities—subject to an acceptable and estimable degree of risk. An investment in infrastructure funds may also represent a good investment opportunity for this purpose.

Together, the two requirements complement each other very well and explain the steady trend exhibited by this asset class.

Infrastructure projects

There are essentially two infrastructure project segments: economic and social.

The former means, for example, investments in the field of transport, such as investments in the construction of roads, tunnels, ports, trains or airports, energy and utilities, such as oil and gas, renewable energies, electricity production and distribution, heating/refrigeration, as well as water supply and communications, such as blanket internet, telephone, TV, radio coverage, and much more.

Social infrastructure, by contrast, entails investments in schools, hospitals, prisons, training centres or social housing.

What is common to both segments is the fact that there are substantial public needs in almost all countries around the world, as well as the circumstance that state funding requirements are very high and cannot be implemented without third-party support.

In addition, demand and needs exist almost independently of economic cycles and economic output, while a so-called quasi-monopoly position exists. Regulatory restrictions and the need for substantial up-front investment also represent very high hurdles for market entry.

For this reason, it is important to note that national and supranational authorities are increasingly exercising a corrective regulatory function on the market.

When it comes to the project status and project phase, the following three classifications are typically made:

Brownfield projects	lowest investment risk, investment in well-established capital flows, lowest profits
Rehabilitated brownfield projects	medium inflation risk, generate capital flows punctually, although require significant capital volumes to rehabilitate, invest or expand
Greenfield projects	typically higher risk with opportunities for high returns

Sustainable character

Infrastructure funds are very often used by investors who in addition to classic investment criteria such as returns, liquidity and security, also take account of social, ecologically sustainable and ethical aspects when making investment decisions—aspects that are increasingly demanded by investors when making their investment decisions and when structuring their investment policies.

It is precisely these "sustainability aspects" that often exist with infrastructure funds, as these fulfil the aforementioned characteristics by building, for example, schools, hospitals, wind turbines, solar parks or biomass plants.

Luxembourg as suitable domicile

Luxembourg exhibits steady demand and steadily rising growth in infrastructure funds.

The background to this is, in particular, the extensive structural flexibility, Luxembourg's high regulatory and financial policy stability, as well as the consultancy and service expertise.

VP Fund Solutions is precisely tailored to meet this growing trend. The investment fund competence centre at VP Bank has successfully advised and supported numerous initiators of infrastructure plants in Europe and Asia in conjunction with the establishment of infrastructure funds.

VP Fund Solutions has been commissioned by the Swiss infrastructure asset manager FONTAVIS AG to operate as alternative investment fund manager (AIFM) and administrator, and at the end of last year launched a clean energy and infrastructure fund—reserved for qualified investors—that generated capital undertakings in excess of €100 million by the first closing date.

Within this set-up, FONTAVIS AG acts as the portfolio manager, while VP Fund Solutions in its capacity as the AIFM has taken on in particular the functions of risk management, central administration, domiciling as well as transfer agent.

During the course of the structuring of the investment fund, the regulatory environment in Luxembourg also proved to be very advantageous for this project, as this offers a wide range of structuring options.

It enables bespoke investment fund structures to be selected that meet the needs of institutional investors.

It is our assumption that infrastructure funds will continue to identify Luxembourg as a suitable location for themselves, and that this asset class has a promising future in Luxembourg.

Eduard von Kymmel
Head of fund solutions
VP Bank

Navigating the SFTR landscape

DTCC's Valentino Wotton talks about trends, trade repositories, and the possibility of the regulation going global

Becky Butcher reports

What trends are you currently seeing in the trade repository space?

Trade repositories (TRs) are becoming an increasingly important tool for monitoring trading activity in key markets.

Regulators have recognised TRs as essential elements of regulatory compliance because of their ability to consume, validate, and store vast amounts of transaction data that regulators seek to monitor and analyse for trends in trading activity and risk. They proved themselves as effective trade reporting solutions for over-the-counter (OTC) and exchange-traded derivatives contracts, so TRs are now being harnessed to implement Securities Financing Transactions Regulation (SFTR), the new regulatory mandate in Europe and the UK for securities financing transactions (SFT). For example, DTCC created the Global Trade Repository (GTR) in 2012 to help firms meet their derivatives trade-reporting requirements.

Today, we're adding functionality so that GTR will also help users comply with SFTR.

Beyond extending TRs' role into a new market, the other notable trend is TRs with the capacity not just to collect and store massive volumes of data but also to enhance the quality of that data and analyse it. TRs that offer this added value can enable users to sharpen their market intelligence and reduce trading risks. Through its new portal, GTR offers custom search capabilities along with detailed statistics on things like industry and client overall matching rates, the top five reasons for rejected submissions and historical statistics.

How has the TR landscape become more competitive?

More TRs have come to market over the past few years, both in existing jurisdictions as well as in a growing number of new jurisdictions as regulatory mandates for OTC derivatives expand across the globe. We expect the same geographic expansion will occur with SFTR. SFT reporting is a G20/Financial Stability Board requirement in which EU and UK regulators are first movers with SFTR but regulators in the US and other jurisdictions will most likely adopt similar rules for securities financing transactions in the coming years. The result is that users now have more choices for their trade reporting. And, while TRs are highly regulated, that doesn't mean all TRs offer the same capabilities or level of experience.

Firms looking to choose a TR to support their trade reporting compliance for derivatives and securities financing should vet their options carefully to identify those that can best address today's evolving regulatory demands. For instance, look at a particular TR's track record—does it have solid relationships with clients and regulators along with proven data security? Looking forward, can the TR handle compliance beyond Europe if SFT regulation is enacted in additional jurisdictions? And, not least, can the TR support the various potential Brexit scenarios post-March 2019?

DTCC's GTR is arguably the largest and most experienced TR in the market today both in terms of global and the European Market Infrastructure Regulation (EMIR) reporting. In terms of experience, we are simply the most experienced player in the global derivatives processing space. In 2006, DTCC established the Trade Information Warehouse (TIW), a centralised credit derivatives utility, which services 98 percent of cleared and bilateral credit derivatives, valued at $10 trillion.

TIW set the precedent for collecting trade data in a single place and served as a blueprint for the future of global trade reporting.

In terms of size, our European repository is the largest for EMIR reporting, processing more than 500 million messages a month. We have 6,000 clients worldwide, 3,500 of them in Europe. We have long-standing relationships with regulators and operate in seven jurisdictions around the world, from Europe to North America to the Asia Pacific region.

What are the main challenges of SFTR? And how does it differ from EMIR and MiFID II?

Coping with high reporting volumes and a large number of data fields will be some of the biggest challenges. Due to the complexities of securities financing, many firms use manual processes in their trading and post-trade activities. As a result, complying with SFTR will create extreme pressure to automate these processes. For example, SFTR mandates 155 data fields, compared to 129 required under EMIR for OTC derivatives. As a result, firms should seek out TRs that can help them automate, and therefore better integrate their processes with those of the repository.

DTCC's GTR offers a number of features that promote automation and simplify integration with firms' internal processes, such as user-friendly dashboards, ad hoc reporting options and data extraction for exception management. In the future, we plan to add scheduling functionality to create and manage bespoke recurrent reports. GTR also incorporates management information systems that record and track accepted and rejected trade details, and analyse the status pairing and matching of reported trades.

Additionally, firms shouldn't minimise the complexity of the regulatory reporting function that they must fulfil under SFTR. SFTR rules are notably more detailed than EMIR and MiFID II for derivatives, in part because they address the very diverse universe of SFT products: repo, securities and commodities lending and borrowing, sell/buy-back, buy/sell-back, margin lending and borrowing. And as we know from experience, these rules will likely be revised and updated over time. Other challenges of this regulation involve pairing and matching and effects on a firm's booking model, agreeing on the unique trade identifier (UTI) and the reuse of collateral.

How is DTCC working with clients on SFTR?

GTR was built through collaboration with our users and that continues to be our approach as we adapt our infrastructure to accommodate this new trade reporting mandate. As a user-owned and governed TR, which sets us apart from the competition, GTR works with users to develop reporting solutions that integrate with their workflows to ensure compliance with reporting requirements.

In the case of SFTR, we started user outreach early this year and will continue to host SFTR industry user group forums to help highlight industry issues and facilitate dialogue amongst market participants.

We have been engaged with both the International Capital Market Association (ICMA) and the International Securities Lending Association (ISLA) for over two years in preparation for SFTR, as well as prominent industry players, like IHS Markit and Pirum, Equilend and Trax, for a similar period. Engaging through trade associations and within the existing infrastructure helps us work with the market to solve big challenges. For example, how to best exchange UTIs, leveraging the benefit of our experience of operating under the European Securities and Markets Authority's (ESMAs) first systemic risk monitoring regime, EMIR, as the largest trade repository. Between now and mid-2019, we'll be reaching out to users to explain updates to GTR functionality resulting from SFTR. We're making it easy for existing users to extend their service to SFTR, by requiring them only to sign an appendix to the operating procedures under their existing contract. Those clients can continue to use existing connectivity with GTR, or connect to us via a number of partner firms.

GTR will conduct a full six months of end-to-end user acceptance testing (UAT) with clients, starting in mid 2019, and will go live as early as possible so that testing in production can start. As we have with other recent large initiatives, we are looking to provide a testing simulator to give firms the ability to begin identifying gaps in their data in advance of UAT. That should be available in the next couple of months.

This launch schedule ought to convince firms to begin their own internal preparations ASAP.

If firms haven't started implementation, what advice would you give to them?

Don't wait another day. Q1 2020 is the target for the first phase of compliance and will impact investment firms and credit institutions. That date may seem like a long way away, but as we all know, it will be here quicker than we realise and as there is so much to do, you should start now.

Securities finance transactions have never been subject to the depth and breadth of data collection and reporting SFTR will demand, so firms in this market will need to enhance and test their processes for data gathering and, in many cases, retool their workflows that currently sit at the core of the securities finance markets.

There have been many discussions around collaboration in recent months. In what ways are you seeing firms collaborate for SFTR?

Besides our collaboration with clients, we have strong relationships with leading vendors. GTR already has 150 vendors connected via an established partner programme for derivatives reporting. We are forging additional strategic relationships in the securities financing space to support our mutual clients' SFTR requirements. As of now, these announced partnerships include Equilend and Trax, IHS Markit and Pirum, amongst many other software providers, data aggregators and trading platforms.

Given the ISO 20022 reporting requirements, it's anticipated there will be extra dependencies on technology solutions to facilitate reporting to a TR. Vendors specialising in SFTR are key to the implementation effort for gathering the new data sets and testing against GTR's standards. Our partner programme not only gives users more options for connecting to GTR, it offers us additional opportunities to expand GTR's straight-through processing, reconciliation and data management capabilities and provide seamless links to mutual clients' existing infrastructure.

Alongside cost-effective vendor connectivity, we regularly share insights with our partners and contribute to each other's SFTR working groups. Collaboration within an increasingly connected ecosystem is vital in delivering an SFTR solution that adds real value to the end user.

How are TRs preparing for SFTR?

All TRs that plan to seek authorisation to provide SFTR reporting need to become intimately familiar with the detailed requirements of the regulation. One challenge here is the fact that the regulatory details, namely a number of technical standards, are not nailed down yet and are still awaiting approval by the European Commission. So, ongoing vigilance in monitoring the reporting requirements is important.

Overall, though, it's clear that, structurally, SFTR is quite similar to EMIR for derivatives. For instance, parties must report details of the conclusion, modification and termination of any SFT to a TR by no later than T+1. The regulation includes a dual-sided reporting obligation. Open positions need to be backloaded to a TR. Reports need to be paired and matched, with very tight tolerance levels.

This similarity between the regulations means that TRs' existing functionality can be adapted fairly easily to cover SFTR. For GTR, this fact is allowing us to focus our preparation efforts on the user community. Besides our extensive UAT programme, we offer a GTR training certification to users and are giving them early access to our testing simulator.

Our industry forums will continue to address questions and challenges around SFTR compliance, and our global client support team is always available to answer users' questions.

I should also note that, while it wasn't specifically designed to accommodate SFTR, the global portal we built for GTR last year will yield positive benefits for SFTR users. The portal is self-service and enhances the user experience by consolidating functionality at a single entry point. The portal gives users direct, electronic access to the data stored in GTR, which means they can control the content, number and frequency of reports we produce.

How will DTCC's GTR help users once the regulation moves beyond Europe?

We expect jurisdictions beyond Europe to enact reporting requirements for securities financing transactions over the next few years. Firms with global trading activity should keep this point in mind in choosing their TR for SFTR reporting.

A repository like GTR with global experience and operations has already weathered numerous regulatory changes and has established long-standing relationships with dozens of regulators. GTR has a proven capability to adapt its functionality to accommodate the unique requirements of different jurisdictions and also to help users build flexible compliance frameworks suitable for multiple sets of rules. AST

Valentino Wotton
Managing director
DTCC

Simplifying the process

David White of TriOptima anticipates that 2019 and 2020 deadlines for initial margin rules will bring hundreds of firms into scope

Becky Butcher reports

What market challenges does triResolve currently address?

Trading in today's derivatives markets is complex. With the appetite for risk lower than ever and regulators striving to make the markets safer and more transparent, firms are faced with increased operational challenges in their bid to become compliant.

At triResolve we help clients manage their counterparty credit risk and ensure regulatory compliance by automating their processes and highlighting the exceptions in one place, on one platform.

We've recently been focused on helping firms overcome the challenges of exchanging regulatory initial margin (IM). As the market's leading collateral management solution, we are well versed in helping our clients adhere to the uncleared margin rules and have been able to leverage our existing technology to create a seamless IM solution.

What are the key challenges facing firms in-scope for initial margin?

Through working with phase one, two and three firms, we've found that the main pain points are calculating the inputs for the International Swaps and Derivatives Association's Standard Initial Margin Model (SIMM), finding an efficient way to agree and exchange margin calls with counterparties and pin-pointing dispute driving differences as they arise.

How are firms calculating their initial margin amounts?

To calculate IM amounts, the industry has broadly adopted ISDA's SIMM, which provides a straightforward calculation method. The challenge arises in calculating the trade-level sensitivities that are used as the inputs to ISDA's model.

The labelling of trades and calculation of the sensitivities that are required for SIMM can be complex. Many firms have utilised our triCalculate service to simplify the process, as it requires only a file of basic trade economics to calculate the inputs.

Once they've been calculated, we then feed those inputs directly into ISDA's SIMM to produce the required IM amounts.

How are firms going to efficiently exchange margin calls with their counterparties?

With margin notification times moving earlier in the business day, and a need to agree margin calls ahead of custodian cut-off times, it is crucial that firms establish an efficient workflow for exchanging and agreeing margin calls with their counterparties.

To meet the challenge, firms should be automating the process. Through automation, firms can prioritise dispute resolution and focus on the risk, not the process.

How are firms going to resolve disputes when they happen?

Despite using the same method to calculate IM amounts, input data (sensitivities and trade labelling) is bound to differ between counterparties, which inevitably leads to disputes.

AcadiaSoft's Initial Margin Exposure Manager, which is powered by TriOptima, helps firms identify not only where these differences reside but more importantly, which of these differences are driving a dispute.

Firms then work together with their counterparty to reach a resolution and avoid future disputes.

Do you believe that any new opportunities will arise from the IM rules for triResolve?

The number of firms being pulled into the scope for the exchange of IM is only going to increase.

We anticipate that the 2019 (phase four) and 2020 (phase five) deadlines will bring potentially hundreds of firms into scope.

We want to continue working with phase four and five firms in their journey to compliance by simplifying the process. With one simple trade file firms can benefit from an end-to-end solution to calculate their inputs, manage their margin calls and resolve their disputes; with no complicated integration or installation required.

However, the journey doesn't end in 2020. Regulation continues to change posing a growing challenge to firms and we look forward to working with firms to help them remain compliant in the marketplace.

David White
Product marketing executive
TriOptima

Streamlining the client journey

Peter Hall, CEO of MYRIAD Embus, discusses how a single integrated platform can reduce the time it takes to onboard and manage clients, enhance the client experience and provide transparency and accountability throughout the process

In the 1970's, through to the early 1990's, referred to by city veterans as 'the good old days', many organisations established their client relationships on the back of a brief proposal by the traders, some cursory name and address checks and a look at the client's balance sheet, which would then be used to set a credit limit. Enormous pressure from the front office to allow them to trade with their new client was placed on the credit/risk department to get the new client processed as quickly as possible.

From the 1990s onwards, regulation including the Basel I and subsequent Basel II framework, which were primarily focused on capital adequacy requirements and reporting increased the level of oversight, but this was still regarded as 'light touch' regulation. The Financial Crisis of 2008, and subsequent legislation, brought about a major change in the level and complexity of the way that banks and financial institutions are regulated and this in turn has had a major impact on client onboarding teams across banks and financial institutions.

The need to convert prospects into new clients is ever-present but as banks have cut back their operations and support staff, the ability of middle and back-office departments to process their normal day-to-day work, combined with new regulatory requirements, including know-your-customer and anti-money laundering reviews has stretched them to the limit.

The use of disparate systems and spreadsheets to support the client onboarding and lifecycle management function has had far-reaching consequences. The ability to cross-sell products to existing clients is limited because there is no consolidated data available to highlight opportunities, resulting in the loss of revenue opportunities. The accuracy and completeness of data is difficult to control, as in many cases data is set up on a per-product, per-jurisdiction basis, resulting in inconsistencies and duplication. Client documentation is either stored in a filing cabinet or in a directory somewhere on a server, making it difficult to access. However, the most serious issue is risk and the ongoing inability of financial institutions to comply with the regulators' existing and emerging regulations.

In addition, financial institutions need to consider the client and the time it takes to complete the onboarding process as well as the difficulties associated with tracking progress both internally and by the client. Evidence suggests that there is a significant level of client attrition due to the length of time to completion, which in some cases can be several months.

The lack of a single, scalable client onboarding and lifecycle management platform within banks and financial institutions continues to be the cause of many of the issues currently being experienced in both the onboarding of clients and the subsequent management of the relationship with that client.

Adding new spreadsheets or updating those that already exist to satisfy new requirements is clearly not sustainable and will result in client dissatisfaction and an inability to satisfy regulatory requirements.

A single integrated platform can reduce the time it takes to onboard and manage clients, enhance the client experience and provide transparency and accountability throughout the process.

SFTR: Get cracking!

Andreas Bergh of TradeChannel and Ronan Brennan of CSS gives an update on the pending SFTR implementation

Becky Butcher reports

What should firms be doing to ensure that they are ready for the SFTR implementation?

Andreas Bergh: Get cracking! Many firms are putting Securities Financing Transactions Regulation (SFTR) projects on hold waiting for the final endorsement of the Regulatory Technical Standards (RTS) even though the outcome will look very similar to the proposed RTS. There are multiple things that are important to pay attention to early on.

We would recommend firms do the following:

- Start to digest the requirements already available. The devil is in the detail, and the more awareness early on, the better firms will realise the operational challenges they might be facing.
- Complete a deep documented review of the firms trading scenarios—with specific emphasis on intersection with SFTs, collateral processes and products in scope.
- Complete a data gap analysis to understand the data fields that will be reported, and the strategic source for each data attribute in the current system architecture. SFTR is casting light on areas of the investment management process not previously focused on by regulators. As a result, the systems and data being touched off will create challenges for even the best organised firms.
- Establish awareness and acceptance from top management, impact on existing systems and processes are highly likely with automation being a key driver to ensure availability and quality.

Firms who are well prepared with the right resources and skill sets applied in a timely manner to the key challenges at hand will have a distinct advantage going forward.

What will the main challenges be for firms ensuring that they are compliant with the new regulation?

Ronan Brennan: Having all of the correct data in place in a timely manner will be a big challenge, especially when having disparate processes for SFTs, including systems and potentially third parties that manage lending, collateral or other processes.

The easy decision here might seem to be delegation of reporting to a service provider and/or trading counterparty, but if a firm delegates, how do they ensure that the reporting done on their behalf is timely and accurate? In this case, getting the data from the vendor or trade repository (TR) and reconciling back to own books is critical since the reporting obligation is non-transferrable.

What advantages/disadvantages will SFTR bring?

Bergh: The SFT market has not traditionally been very streamlined nor standardised, and we have seen a shift towards making SFT trading more efficient with new processes as to how and where trades are conducted.

With the massive number of data points being reconciled, the industry has recognised the need for joint enterprise to make processes easier by setting standards and introducing more homogenous operating models around SFTs.

A key advantage we hope to see introduced on the back of SFTR is more consistent treatment and modelling of SFTs across the industry. SFTR requires some very careful understanding of security terms and conditions as there is a distinct lack of homogenous ways of structuring repos, lending and margin setup—this is an example of an area we would expect to see more uniformity going forward.

While SFTR is a positive thing for many market actors, as well as the regulators, we might see a decrease in yield as markets shift because of SFTR. This is because, for some actors using a third party for their securities lending programme will naturally lead to a reduction in margins.

The massive reporting obligation that SFTR implies will naturally introduce new costs into the securities financing programmes of many firms. The result is that some firms engaging in SFT trading, like securities lending might evaluate if the increased cost and regulatory risk footprint is worth it, when compared to the revenue these trades generate.

In July this year, a white paper published by DTCC and The Field Effect noted that SFTR is likely to significantly impact trade booking models? What are your views on this?

Bergh: Overall a very good article. SFT trading is most likely going to move to a more homogeneous, transparent process. The unique trade identifier (UTI) process being a driver to trading and matching platforms with integrations to client's core systems as well as for beneficiaries of security lending programmes having to consume all movements daily (not only premium end of month as is often the case today).

The requirement to submit the relevant reports including action types requires firms to consume a lot more trade data in relation to both SFT´s and associated collateral including margins. There are also some unique challenges with reconciliation and matching, in particular where double-sided reporting is required.

This will have an impact on firms booking processes, with the result that automation, oversight and control become very important.

How will SFTR affect firms in the US?

Brennan: The major direct impact this will have at go live is that the EU branches of US firms will have a reporting obligation. If the implication of this is a market shift towards trading with the US firms directly, instead of the EU branches is yet to seen. While the EU might well be the first region putting reporting obligations on SFTs it is likely that the US and other markets are watching closely how the legislation pans out and follow on with similar legislation of their own in the future. In July, the Office of Financial Research issued a request for comment on a proposed data collection rule covering centrally cleared funding transactions on the US repo market, which might be a first step towards a US-based SFT regulation.

How can firms learn from previous transaction reporting regulations and apply that to the implementation of SFTR?

Bergh: One doesn't have to look too far back to pick up key learnings from the introduction of the European Market Infrastructure Regulation (EMIR) and the second Markets in Financial Instruments Directive. Some key points we would call out:

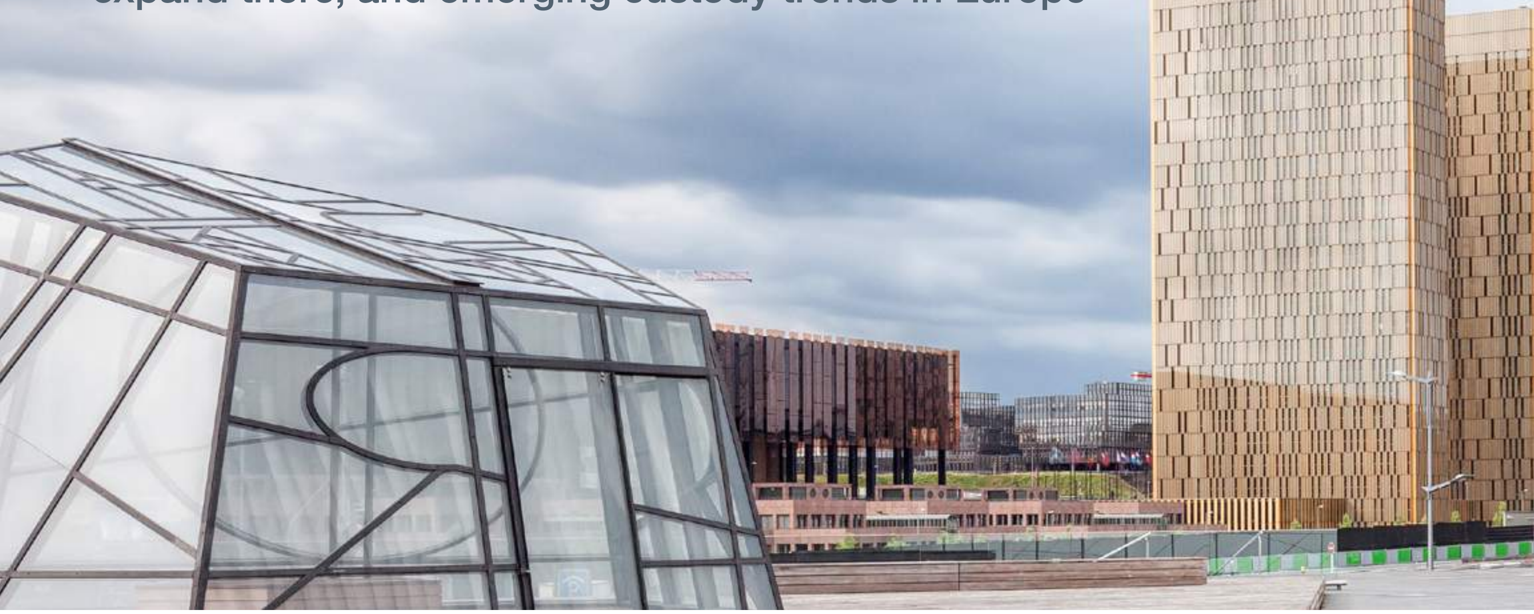
- Everything takes more time than anticipated—don't wait for the final regulatory technical standards to come out before starting your implementation programme.
- Start the process now with engagement of the service provider community you interact with—don't wait until they close their doors due to overwhelming demand for services.
- This is not just a T+1 process, it starts at the top with automation of processes and data management being key. If a firm goes into the project with the mindset "how hard can it be, SFTR just builds on EMIR" they will have big issues when the go live date is coming closer.
- There are many takeaways from EMIR regarding reporting types, statuses and similar. If firms truly utilise previous work when looking at the similarities with EMIR, there will be more time available to overcome the challenges regarding the differences.

Andreas Bergh
Head of sales
TradeChannel

Ronan Brennan
Chief product officer
Compliance Solutions Strategies

Expanding into Luxembourg

Jochen Müller of SimCorp discusses the custody landscape in Luxembourg, why SimCorp has chosen to expand there, and emerging custody trends in Europe



Maddie Saghir reports

What is the custody landscape currently like in Luxembourg? What trends are you seeing?

In the Luxembourg custody landscape, we are seeing a combination of both local custodians operating only within the market, and quite a large number of global custodians with subsidiaries in Luxembourg. There are two kinds of businesses: one is a pure custody play and then most of them also offer back-office fund accounting services. For example, they do the fund accounting for their asset manager, calculating the net asset value and so on. Both are back-office orientated services, with often different systems for these two services.

In this area, we see two major trends occurring: one is to bring together the back-office fund accounting and the custody business and that is where we have clients, such as KAS BANK choosing us to resolve this. We are now having a lot of interesting conversations with potential clients in Luxembourg, who are similarly looking to move to one system, because they recognise that it is much more efficient.

What are the motivations behind SimCorp's custody expansion into Luxembourg?

The motivations stem from our strong belief in our solution, and that our one system approach is unique in supporting the above trends because we can do both the custody piece and the fund accounting piece in one integrated system. The second trend is that, for custodians to be successful and competitive in the market today, they need to extend their services into the front-office.

Whether this is the provision of risk management solutions, or all the way up to asset management and portfolio management solutions. We have clients like KAS bank and Société Générale who are able to offer this to their clients, using SimCorp Dimension today. We are now widening our footprint to offer the same to prospects in Luxembourg.

Who will benefit from the custody expansion into Luxembourg? What advantages and opportunities will it bring to the potential players in Luxembourg?

One advantage for custodians, is the lower cost base but perhaps more importantly it will provide a more granular and transparent service to their clients.

Today, custody is very much black box, for example, they may not fully know the details of a position at all stages, and so some players cannot provide the most effective reporting capability to their clients.

What is interesting is that using solutions such as ours, these custodians can provide more value to their clients, through the provision of added services.

What will the main challenges be in expanding into Luxembourg?

One of the main challenges with the Luxembourg market is there are both global custodians and local custodians. In terms of decision making, some local custodians will decide (on systems) in Luxembourg, but for global custodians, often the decision lies elsewhere such as headquarters.

For example, we have two local clients in Luxembourg, subsidiaries of Japanese banks, and they currently use SimCorp Dimension locally in Luxembourg.

So, for us, it’s a case of working with the key decision makers and stakeholders, which being a global company ourselves, with several offices around the world, we are best placed to do. Just earlier this month, we opened our new office in Tokyo to broaden our Asia Pacific presence. This is significant in deepening our engagement with Japanese prospects based in Luxembourg; the same goes for our local presence in North America, UK, and France.

What services will the office in Luxembourg offer?

The local services that SimCorp will offer in-market will be predominantly sales expertise and consulting services. With our global model however, we also have both the scale and resources of our teams across regions, as well as our headquarters in Copenhagen.

Looking to the future, what trends do you expect to see in the custody space in Europe over the next 12 months?

The bigger picture, the bigger trend you might say, is the cost pressure that the industry is facing.

If you need to reduce your cost then you cannot afford to maintain numerous systems across the investment lifecycle.

It is clear that the industry needs consolidation, and this is no different for custodians. You need to simplify operations to offer value and to compete successfully.

Jochen Müller
Executive vice president EMEA
and Asia Pacific
SimCorp

Forever evolving

Michael Hill, global head of sales at MYRIAD Group Technologies, explains that with rising product sophistication, an increase in regulatory requirements and the risk from overseeing more markets, the network management function has become much more prominent

The entire banking industry continues to change. Network Managers are now tasked with doing more, and frequently with limited resources. Technology investment has generally not kept pace with the increasing remit and scope of the network managers role. As such, network management is at a crossroads: either invest in dedicated technology which is fit for purpose and which would position them for long-term sustainable growth; or continue to operate with current levels of staffing and the legacy systems and manual processes which are already in place.

Network management as a function evolved from providing pure oversight and visibility of the financial institution's network to a function that now involves a host of different disciplines and skills including governance, risk management and compliance.

With rising product sophistication, an increase in regulatory requirements coupled with the additional risk that comes with overseeing more markets and relationships, the network management function has become much more prominent. Consequently, its interaction with the wider bank community has increased substantially.

With the increasing legislation globally designed to reinforce standards of asset safety and investor protection, the responsibilities borne by network management groups have become more important than ever before. The capacity of the network management team to discharge its duties effectively is fundamental. If that capacity is enhanced by effective partnering with all the bank's operational departments, as well as the provider itself, then risk diminishes, workload decreases and the value chain becomes more transparent and efficient. With a central technology platform to bring these parties together, partnerships are enabled and progressively strengthened and the network management function will become streamlined and much more effectively supported.

Network management teams rely on manual processes and legacy systems to support their day-to-day business. They are being required to take on an expanding range of duties, but with little corresponding increase in resource allocation and/or IT investment. This lack of automation can severely impair the ability of the network management team to access vital information quickly and to initiate appropriate responses. New technology is part of the solution.

Banks are investing in integrated platforms that are dedicated to promoting the efficiency, transparency and automation of network management functions specifically within financial institutions. These solutions enable banks and financial institutions to streamline their manual, and often fragmented procedures, and set in place one consolidated, automated system that enhances risk monitoring and allows key data to be accessed near to real-time.

Using a third-party solution can be an efficient and cost-effective way for network management teams to mitigate risk, enhance transparency, standardise their processes, reduce costs and work on a platform on which to build for the future.

Realistically, there is only one option available to network managers that will offer a sustainable long-term solution; a proven, off-the-shelf platform from a third-party vendor—MYRIAD.

Comings and goings at LiquidityBook, BNY Mellon, Broadridge and more

LiquidityBook, a software-as-a-service-based provider of buy- and sell-side trading solutions, has appointed Ryan Canfield as the lead product analyst.

Canfield will work with a team that will manage all product enhancements, working closely with the deployment and client services groups to oversee client requests. He joins from Broadridge Financial Solutions, where he has worked for the last seven years.

At Broadridge, he most recently served as senior director of product management and headed a global team of developers and product specialists.

Sean Sullivan, chief revenue officer at LiquidityBook, said: "More and more, clients are turning to next-generation systems like ours to replace legacy OMS platforms."

"That typically means considerable work to meet their particular workflow and process needs, which our fully software-as-a-service-based platform can accommodate seamlessly."

"We're thrilled to further build out our product group with the addition of Ryan Canfield, who will lead the way in delivering best-in-class investment management solutions built to match our clients' unique demands."

Dolfin has appointed Simon Black as a senior wealth manager.

In the newly created role within the Dolfin sales team, Black will focus on bespoke portfolio design, identifying the specific needs and goals of the firm's clients.

Black joins Dolfin following 11 years at Hassium Asset Management, where he was most recently the firm's CIO.

According to Dolfin, Black is well suited to supporting Dolfin as the firm continues to expand its client offering, from custody and execution, through asset management, to a bespoke wealth management service.

The announcement comes just a few weeks after Dolfin appointed Nick McCall as head of wealth management.

McCall has more than 30 years experience in the financial industry, most recently leading private wealth firms such as Hay Hill, Falcon Private Wealth and Clariden Leu.

Commenting on his new role, Black said: "Dolfin combines a highly experienced investment team with the agility of advanced technology to provide solutions in the best interest of clients. I look forward to delivering this truly differentiated offering to clients over the long term."

Georgios Ercan, head of sales at Dolfin, commented: "Simon Black brings invaluable market knowledge and expertise, complimenting Dolfin's offering as a tech-driven wealth manager." He added: "His appointment is the next step in our wider strategy for our wealth management team and is a testament to our continued growth and expansion."

BNY Mellon Technology India has named Bhargarvi Nuvvula as new leader of its corporate technology organisation, a leadership role that previously sat in the US.

Based in Pune, Nuvvula will report to Nitin Chandel, head of BNY Mellon Technology, India.

Meanwhile, the appointment of Nuvvula as the global lead for a key portfolio of technology assets and teams indicates the shift and evolution of BNY Mellon Technology India from a remote technology provider to one of several top talent technology hubs, BNY Mellon revealed.

Nuvvula is a senior business executive and has more than 20 years of results-driven experience with major global brands. She also has experience in leading global teams in solving complex business problems.

Prior to BNY Mellon, Nuvvula served as head of technology at American Express India. She has also held senior roles at Amazon and Microsoft.

Commenting on the appointment, Chandel said: "Bhargavi Nuvvula is a proven leader in the technology sector who will further strengthen the calibre of our talent and team in India."

Chandel added: "She has also been a strong voice and advocate in encouraging women in technology. This passion will complement and support our priority for fostering diversity throughout our technology organisation in India."

Broadridge has appointed Tom Carey as president of global technology and operations.

In his new role, Carey will oversee the growth of Broadridge's core technology business globally across capital markets, wealth, and investment management.

Carey will also continue to oversee Broadridge International until a new leader is formally appointed.

Meanwhile, Charlie Marchesani, former president of GTO, will serve as strategic advisor for the segment's critical growth themes including strategy, merger and acquisition, and product management.

Previously president of Broadridge International, Carey reports directly to Tim Gokey, who will become CEO of Broadridge's core technology business globally across capital markets, wealth and investment management.

A 25-year veteran, Carey led the combination of all of Broadridge's international business into a single integrated unit earlier this year to bring Broadridge's full scale to global client solutions.

Previously, he led the company's technology and operations solutions in Europe, the Middle East, and Asia, and Asia Pacific for nearly a decade.

Gokey commented: "Tom Carey is an incredibly capable, technology-focused industry executive. He has driven the growth of our global capital markets business and, more recently, our overall international portfolio."

"We see the continued mutualisation of technology and technology innovation as the future of the industry, and Carey is the right leader to bring the next generation of technology including artificial intelligence, blockchain, cloud, and digital to our capital markets and wealth and investment management clients globally."

Carey added: "Broadridge has consistently delivered scalable and proven technology and operations solutions to help clients transform while gaining significant cost efficiency. Looking ahead, we aim to accelerate this pace of change on a global scale."

"We are uniquely positioned to help clients get ready for what's next by providing the on-ramp to the next generation technology and innovation to help them meet their growth objectives. AST