# asset servicing times

The primary source of global asset servicing news and analysis

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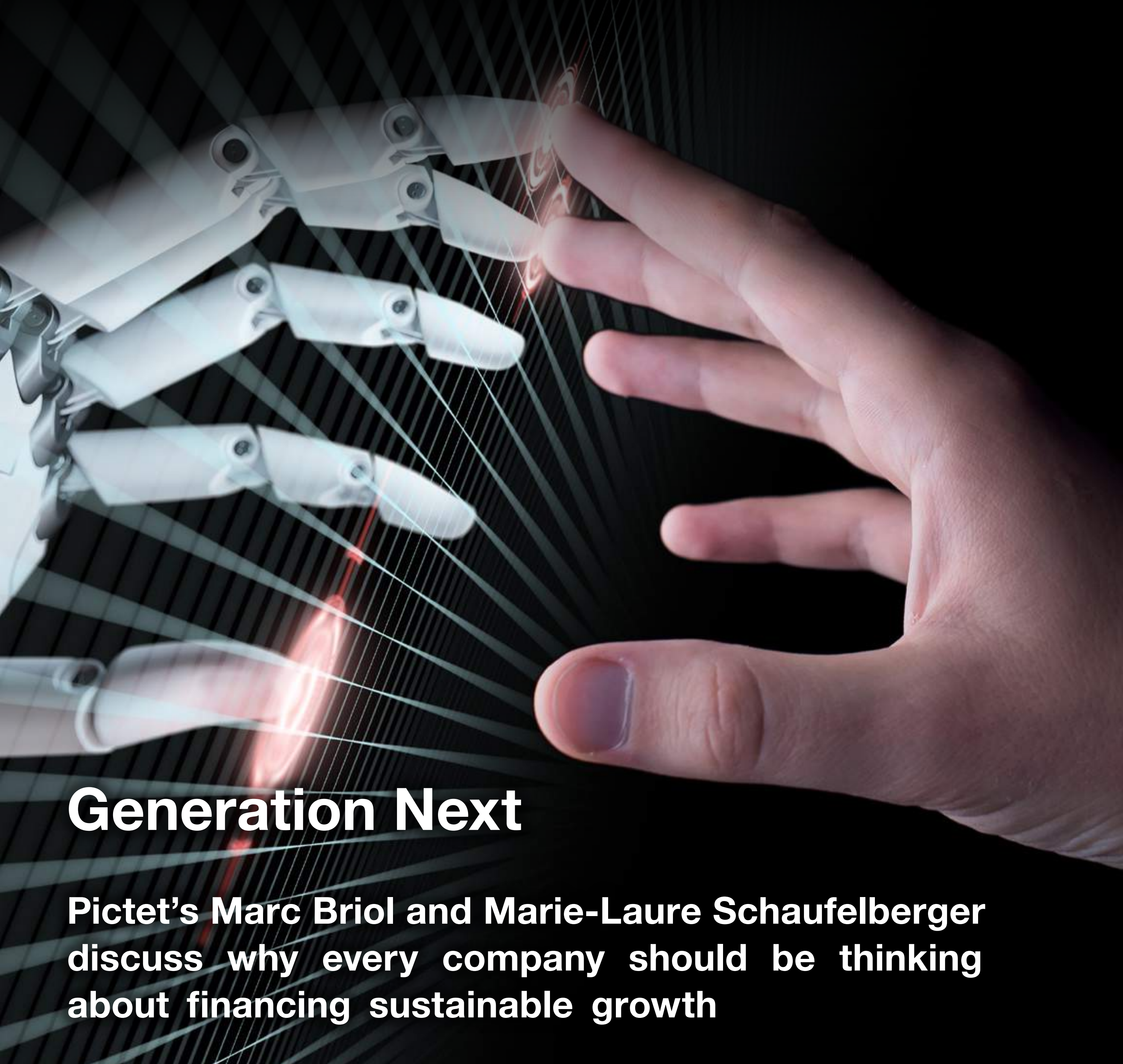

## Generation Next

**Pictet's Marc Briol and Marie-Laure Schaufelberger discuss why every company should be thinking about financing sustainable growth**

## Julius Baer partners with SEBA Crypto

Julius Baer has agreed on a collaboration with SEBA to provide its clients with access to a range of new digital asset services.

Julius Baer plans to extend its service range providing storage, transaction and investment solutions for digital assets.

The partnership allows Julius Baer to take advantage of SEBA's platform and capabilities in order to provide Julius Baer clients with solutions in the area of digital assets to meet increasing demand.

Peter Gerlach, head markets at Julius Baer and proposed member to the board of directors of SEBA, said: "At Julius Baer, we are convinced that digital assets will become a legitimate sustainable asset class of an investor's portfolio."

"The investment into SEBA as well as our strong partnership are proof of Julius Baer's engagement in the area of digital assets and our dedication to make pioneering innovation available to the benefit of our clients."

Guido Buehler, CEO SEBA, added: "We are very proud to have Julius Baer as an investor. SEBA will enable easy and safe access to the crypto world in a fully-regulated environment. The cooperation between SEBA and Julius Baer will undoubtedly create value for the mutual benefit and to the clients."

# Contents




**asset servicing times**

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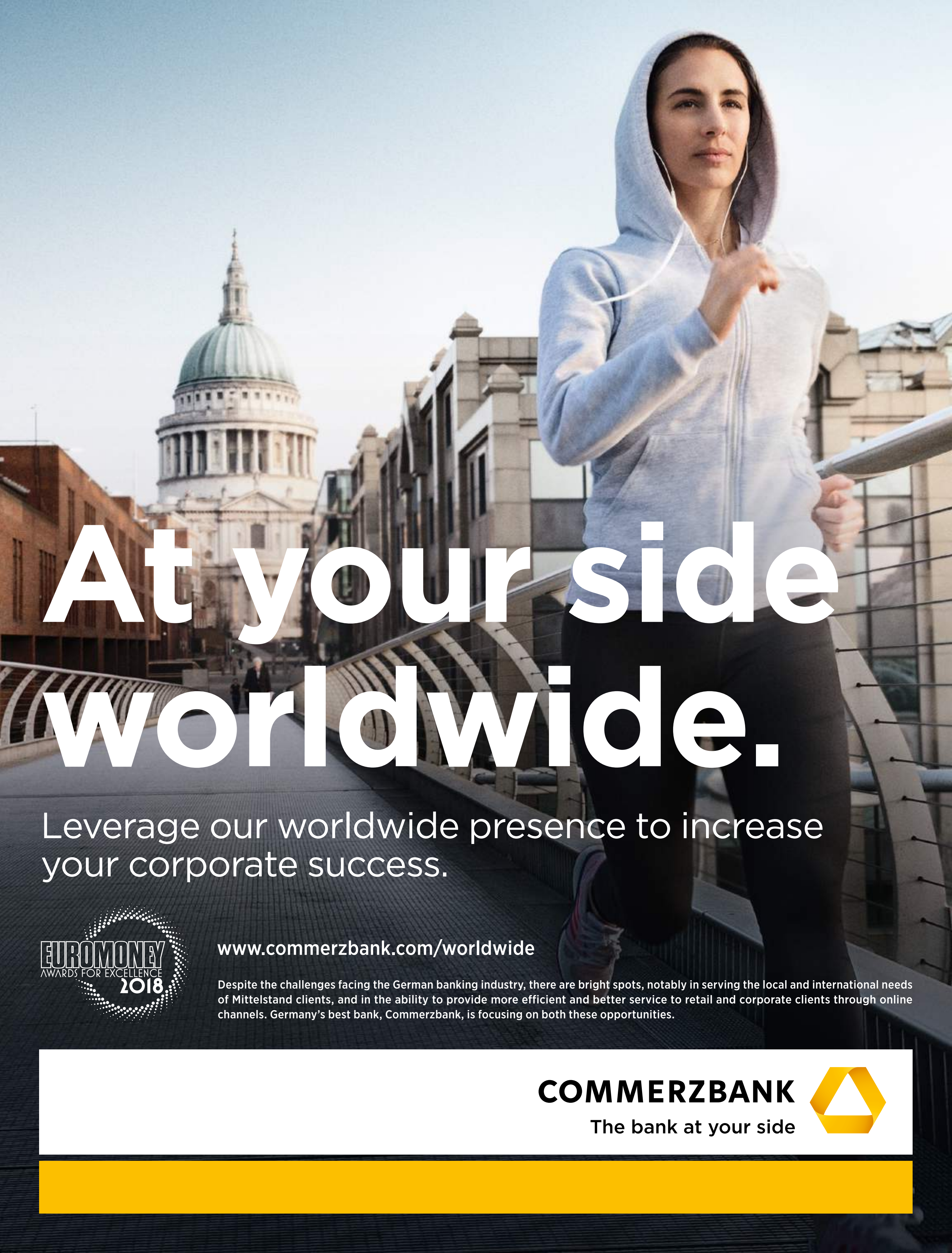
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Despite the challenges facing the German banking industry, there are bright spots, notably in serving the local and international needs of Mittelstand clients, and in the ability to provide more efficient and better service to retail and corporate clients through online channels. Germany's best bank, Commerzbank, is focusing on both these opportunities.
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## Apex Group acquires Beacon Fund Services

Apex Group has acquired Beacon Fund Services (Bermuda), Beacon Corporate Services and Beacon Management to enhance its hedge fund administration, corporate services and transfer agency solutions.

According to Apex, Beacon clients will see immediate value from the transaction, gaining access to an additional 28 jurisdictions as well as custody and depositary solutions plus corporate services.

Headquartered in Bermuda, Beacon was established in 1995 and delivers service offerings to both offshore and domestic hedge funds and other international entities.

This acquisition is the latest in a series of transactions from Apex taking its assets under administration to $610 billion. Apex is a portfolio company of Genstar Capital.

Terms of the agreement are not being disclosed. The transaction is subject to customary closing conditions, including regulatory approval and is expected to be completed in Q2 2019.

Peter Hughes, founder and CEO of Apex Fund Services, said: "We have been focusing on expanding our capabilities into new markets over the past twelve months, evident through the like of the Link Asset Services and Warburg acquisitions, yet the addition of Beacon demonstrates our simultaneous dedication to continuing to improve and build-out the core service areas that Apex was founded on."

He added: "As Apex itself was also established in Bermuda, this is a natural fit to expand our presence on the island and I am looking forward to welcoming the team to the Apex Group."

Nitin Aggarwal, CEO of Beacon Fund Services, said: "Becoming part of the Apex Group at this exciting time of groundbreaking expansion will bring great opportunities to both our clients and employees and is the next natural step in an ever-globalised asset management space."

He added: "The range of products and services that will now become available to our clients, including cross-jurisdictional capabilities and expertise across multiple asset classes is extremely valuable."

"We feel that we have found the right home with Apex due to its ongoing commitment to expanding its service portfolio while maintaining its agility and independence as a provider."

## Velocity selects Prime Trust for custody services

Velocity Ledger Financial, a technology solution supporting the institutional investment and trading processes for digital assets and security tokens, has selected Prime Trust as its preferred custodian.

Velocity and Prime Trust will facilitate the issuance and custody of digital assets, supporting the growth of tokenised assets.

Velocity has applied for a Digital Asset Business Act license to operate a digital assets exchange in Bermuda, where it will operate issuance and secondary trading services for structured real estate investment trust and investment tokens.

Issuers and investors in these assets will perform an automated registration with Prime Trust directly from the Velocity platform to establish custodial accounts for investment operations.

Velocity Ledger Financial is expected to go live in Q2 2019.

Julian Jacobson, COO of Velocity, said: "Velocity Ledger Financial is an institutionally focused marketplace for digital assets. The exchange and custodial functions are each independently regulated companies with their own enterprise level systems that interoperate around the use of private and public blockchains."

Scott Purcell, CEO and chief trust officer at Prime Trust, commented: "We are excited to work with Velocity Ledger as they bring marketplace technology and tools to the emerging digital economy, paving the way for an exciting new future of liquidity options for tokenised assets of all types."

## Euronext's FXTape goes live on QuantHouse

Euronext's FastMatch consolidated central market data product, the foreign exchange (FX) Tape, is now available on the QuantHouse application programming interface (API).

## Commerzbank completes transaction on blockchain

Continental, Commerzbank and Siemens have carried out a test transaction as part of a pilot project to process a money market security between the companies using blockchain technology.

The transaction took place in January and had a volume of €100,000 and a term of three days.

Commerzbank provided the Corda-based blockchain platform through its research and development unit, Main Incubator, and acted as a service partner.

Siemens subscribed to the money market security as an investor, while corporate law firm, GSK Stockmann, provided legal advice on the transaction.

According to Commerzbank, the main motivating factor for Continental and Siemens to carry out this project was to experiment with blockchain technology in practice with a view to using it in the medium to long term for regular financial transactions.

In this pilot project, the transaction was initiated and settled directly between the two companies. A regular securities transaction between two companies was used as a starting point.

The companies generated the money market security and also processed the trade, including payment processing, in a legally binding manner using blockchain.

The documents and funds were exchanged in a matter of minutes rather than days using this process.

Stefan Scholz, head of finance and treasury at Continental, commented: "Blockchain made the process even quicker and more effective. Working with our project partners, Siemens and Commerzbank, we tested the feasibility of using blockchain in the finance department and it proved to be a success."

He added: "We gained some new experience across various areas of our companies in both a technical and legal respect and also in terms of interlinking between the specialist departments."

Peter Rathgeb, corporate treasurer at Siemens, said: "It was important for us to test this technology at an early stage and develop action points for the future.

There are clear advantages of using this technology, including significantly shorter processing times and faster time to market."

He added: "Some of the major challenges revolve around the security and performance aspects and the legal area, such as the importance of creating a consistent European understanding of the standards and legal points involved when it comes to blockchain-based transactions."

The FX Tape includes transactions from a variety of market participants and sources, including FastMatch's electronic communication network, delivering a reference point for executed trades in the spot FX market.

More than 300 buy-side firms and investment banks are already connected to the QuantHouse API ecosystem using solutions provided by buy and sell-side firms, execution venues and technology partners via a single managed QuantHouse API.

Euronext's FastMatch FX Tape is the only consolidated FX tape available in the market, making pre- and post-trade benchmarking possible for the first time.

Pierre Feligioni, CEO and co-founder, QuantHouse, said: "Whether you sit on the buy-side or sell-side, anyone who trades FX will benefit from being able to access the FastMatch FX tape. We commend FastMatch for looking to create the first consolidated tape for the FX market and are delighted to be able to help expand their reach through our API global community of users."

Kevin Wolf, CEO of FastMatch, commented: "FastMatch's FX Tape makes post-trade information for the spot market accessible to everyone as we deliver transaction information from a broad range of sources."

He added: "We anticipate that QuantHouse will act as a complementary channel for those wishing to access the FX Tape in addition to our suite of Spot FX Market Data products."

Euronext's FastMatch FX Tape is the only consolidated FX tape available in the market, making pre- and post-trade benchmarking possible for the first time.

## State Street to provide access to CLS FX settlement platform

State Street has started providing access to CLS's risk-mitigating foreign exchange (FX) settlement platform, CLSSettlement, for a Japanese-domiciled pension fund as a pilot fund.

This is the first pension fund to migrate its FX settlement to CLSSettlement in Japan.

According to State Street, the decision to adopt CLS is the result of a coordinated effort across the industry, led by the Financial Services Agency of Japan along with Bank of Japan, to provide access to CLSSettlement to the Japanese buy-side community.

This announcement comes after Japanese-domiciled funds gained access to CLS as third-party participants in 2018.

Commenting on the development, Margaret Law, head of client management for the Asia Pacific at CLS, said: "We look forward to working with State Street to facilitate settlement and operational risk mitigation associated with FX trading for pension funds in Japan."

She added: "We are seeing an increase in participation in CLSSettlement from pension funds and the buy-side more generally, globally and across the region, as the buy-side becomes increasingly aware of the risks associated with currency settlement outside of CLS."

"This latest development reflects our growing presence in Japan across the buy-side. It is also a testament to our strategy of reducing risk and creating efficiencies for a diverse range of third-party clients while bolstering the stability of the FX market."

Mark Hamilton, president and representative director of State Street, commented: "We look forward to bringing our extensive global experience to support the Japanese buy-side community as it accesses settlement risk mitigation through CLSSettlement."

He added: "This is an important development for the market that we believe will lead to increased interest, and adoption, from trust funds, domiciled here."


## Gemini joins BT Radianz cloud community

Gemini Trust, a cryptocurrency exchange and custodian, has joined BT's Radianz Cloud to access its secure networked financial cloud communities.

Through a single network connection, members of the Radianz Cloud can now access thousands of applications and services from more than 400 providers.

According to BT, by joining the Radianz Cloud, Gemini now has a global market reach and ability to scale with a commercial structure familiar to large institutions.

Founded in 2014 by Cameron and Tyler Winklevoss, Gemini offers customers the ability to cross-connect directly to its trading infrastructure.

Nick Vigier, CIO at Gemini, said: "No other cryptocurrency exchange in the world offers our calibre of top performance and breadth of connectivity options. Adding Radianz Cloud connectivity to our current low latency offerings in the New York five data centre allows our existing institutional customer base to access our FIX interface. This strengthens our institutional investor connectivity and helps us better scale our offerings in this space."

Michael Woodman, managing director of BT Radianz, commented: "Global financial institutions have very specific requirements about the performance, resilience and security of the infrastructure over which they trade."

He added: "They expect stringent service levels and will only do business under trusted commercial frameworks that help them to meet their own contractual and compliance requirements. This can make it difficult for small or new service providers to grow."

"By joining the Radianz Cloud, Gemini achieves the reach and scale demanded by global institutions and benefits from an established framework for doing business with them."

## EBA Clearing's RT1 sees rise in transactions

The total number of transactions processed in EBA Clearing's instant payment system,

## Total investment fund assets for 2017 reach €11.7 trillion

Total investment fund assets held by European investors reached €11.7 trillion in 2017, according to the European Fund and Asset Management Association (EFAMA).

The three main categories of investors included households, insurance companies and pension funds, and other financial intermediaries, which held 90 percent of total investment fund assets.

Insurers and pension funds, for their part, remained the largest holders of European investment funds in 2017 with a share of 41.7 percent.

Over the last years, the share of cross-border funds grew steadily, from 25 percent in 2008 to 32 percent in 2017.

EFAMA stated this evolution was driven, at least partly, by more coherent rules for the cross-border distribution of funds provided by single market initiatives such as the Markets in Financial Instruments Directive and the UCITS and Alternative Investment Fund Management frameworks.

The findings of this report also show the state of penetration rate of investment funds and other retail investment products in the asset allocation of European investors.

EFAMA said they are particularly relevant in view of the European Commission's efforts to strengthen the capacity of EU capital markets and foster retail investment under its Capital Market Union (CMU) project.

Tanguy van de Werve, director general at EFAMA, said: "The increase in cross-border fund ownership in Europe over the past decade is a welcome development. We expect this trend to continue in the future, driven by technology-enabled access to a larger pool of foreign fund providers."

He added: "The EC's proposal on facilitating the cross-border distribution of funds, on which we anticipate trilogue approval at any time, will enable consumers to benefit from greater choice at a lower cost, thereby further unlocking the benefits of the CMU."

RT1, tripled from five to 15 million between late October 2018 and late February 2019.

EBA Clearing also found these 15 million instant payments had a total value of over €8 billion. RT1 has welcomed three additional major German payment market players—Deutsche Bank, DZ BANK and Commerzbank—since November 2018.

This has increased to more than 1,700 the number of payment service providers (PSPs) in Germany that are addressable via RT1, including the German cooperative sector connected via DZ Bank. Additional German PSPs are scheduled to connect to RT1 in the next few months.

The EBA Clearing platform went live as the first pan-European real-time payment infrastructure system on the launch date of the single euro payments area (SEPA) Instant Credit Transfer (SCT Inst) Scheme of the European Payments Council in November 2017.

EBA Clearing said: "These recent developments in Germany tie in with instant payment roll-out activities of other communities and individual institutions across Europe."

It added: "In addition to Germany, the ramp-up at a country level, as witnessed by RT1, has been gaining steam in Italy, Spain, the Baltics and Austria, in particular."

Jürgen Kaczmarek, head of operations management, payments and accounts of DZ Bank AG, said: "Around 900 cooperative banks in Germany have been reachable via instant payment since November 2018 and can receive SEPA instant credit transfers."

He added: "For DZ BANK, instant payments are a central building block in the payments business, which is why we are working intensively on active reachability. In the course of this spring, about 30 million customers of the cooperative banks will be able to initiate real-time payments."

Stefan Wloch, managing director, group services banking operations at

## FD Fund Administration expands into Minneapolis

FD Fund Administration is opening a new office in Minneapolis, Minnesota. According to FD Fund Administration, the Minneapolis office supports its overall growth strategy. The Minneapolis office includes two new leadership team members for FD Fund Administration.

Andy Huss and Jon Haidet both join FD Fund Administration as principals.

Huss and Haidet formed the Minneapolis office by bringing over a core team of middle and back office professionals from Wayzata Investment Partners, a Minneapolis-based, investment adviser to private funds.

Meanwhile, each of the team members joining the FD Fund Administration Minneapolis office have more than 10 years of experience in private equity.

The firm's current existing offices are in Philadelphia, New York and Atlanta.

Pat Halloran, managing partner and founder of Wayzata Investment Partners, commented: "The team joining FD Fund Administration is well-versed in all aspects of fund accounting, operations and compliance, and we are excited to continue leveraging their knowledge and abilities through our relationship with FD Fund Administration. This strategic opportunity allows the team to use the extensive experience gained through their long tenure at Wayzata to service other private equity firms in Minneapolis and beyond."

Commerzbank AG, commented: "From our point of view, market penetration is crucial for instant payments. It takes quite a few participating institutions to ensure that customers get the money in their accounts within a few seconds."

He added: "The number of banks offering the service is now sufficiently high for customers to be able to use it at a large scale. Customers of Commerzbank can receive payments in real time as of now."

Hays Littlejohn, CEO of EBA Clearing, said: "Thanks to the tremendous support of our multinational user community, RT1 currently reaches practically all PSPs actively using the SEPA Instant Credit Transfer Scheme. That corresponds to 60 percent of all PSPs operating in SEPA."

He added: "The substantial onboarding of German banks onto RT1 is a spectacular example confirming that the instant payment take-up across Europe has been making great strides. We are happy to provide a resilient backbone for the processing of these soaring transaction volumes."

## Credit Suisse wins custody services mandate for Hines

Credit Suisse Luxembourg has been appointed by Hines, a global real estate investment firm, to service a range of locally domiciled real estate investment funds (AIFs).

The mandate includes Alternative Investment Fund Management Directive-compliant asset custody and depositary services, alongside banking and reporting services.

The services will be facilitated for Hines' Pan-European Core Fund, which exceeds €1.3 billion.

Margaret Fitzgerald, managing director at Hines, said: "After a thorough selection and due diligence process, we have decided to team up with Credit Suisse, as they bring compelling value to the table. Beyond robust operations and hands-on client service, they go the extra mile to contribute to our funds' success."

# Generation Next

## Pictet's Marc Briol and Marie-Laure Schaufelberger discuss the company's ESG initiatives and why every company should be thinking about financing sustainable growth

*Jenna Lomax reports*

**How is ESG linked with the securities services industry?**

**Marie-Laure Schaufelberger:** Environmental social and governance (ESG) is a topic that is being talked about widely in recent years within the industry.

The most important aspect is taking into account these extra-financial considerations alongside traditional financial analysis.

Without integrating ESG factors within the investment process, you cannot possibly have a full view of what you're investing in.

It's part of your fiduciary duty as an investment manager to take ESG into your decision-making processes. A logical extension of that is giving more transparency to your clients.

**Marc Briol:** Over recent months, we've seen an increasingly strong demand from our clients to get more ESG dimension added into their oversight and they've also asked for more monitoring of their investment managers.

We're also getting interest from the end client. Indeed, more questions and interest are also coming from private clients, who are sensitive to the issue. In addition to this, there is a new generation of people growing up with an understanding of ESG concepts and concerns going forward.

**There has been an important shift from investors over the last few years towards opting for more responsible investments, particularly concerning ESG. What changes have you seen in the last few years and how have attitudes toward ESG changed?**

**Schaufelberger:** One thing that is driving this change, in addition to a generational shift, is increased regulatory pressures—as regulators start to ask more questions about the role and responsibility of financial players to take into account the externalities of their investments.

This is prompting institutional clients to demand clear policies and transparency on their implementation. There are also more tools available as well as a better capacity to quantify things that were previously not easy to integrate within an investment process, like environmental or social impacts. In addition, technology has helped by offering more transparency, pushing these issues to the forefront of the debate in our industry.

One of the bottlenecks to having more oversight from an industry perspective, especially from a social and environmental point of view, is the lack of common standards.

Initiatives like the task force for climate-related financial disclosures to develop voluntary, and consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders are working towards this goal.

Previously, you could simply say you were taking part in ESG initiatives, now, with regulatory reporting requirements, evolving technology and emerging sets of common standards, you have to be able to show how you are actually achieving it.

**Briol:** What has vanished over the past few years is the optionality of having ESG. If you want to be serious about managing money going forward, then you must include ESG in your investment and reporting processes, this includes the asset servicing process.

The question is how this can be achieved, and obviously which providers will be used to carry out this work. Essentially, to question what the outcomes of the analysis are. The necessity to do this is absolutely clear to me.

**What sectors/regions would you say are lacking/excelling in terms of implementing an ESG strategy?**

**Schaufelberger:** From a regional perspective, traditionally Northern Europeans have been at the forefront of integrating these things, especially among institutional clients. But we are seeing expectations start to converge as the European Commission has initiated a comprehensive "Action Plan on Financing Sustainable Growth" in 2017.

There is a clear top-down direction from the European Union on climate benchmarks, the disclosure of ESG and taxonomy.

When we talk about taxonomy and the model we had in the past, we were not using the same language in terms of ESG, sustainability and responsible finance. Now there's a real effort, especially in Europe to try and establish a common language and common standard.

We are seeing large institutional investors, especially in the US, really catch up fast and demand their asset managers take these things in to account. We're seeing ESG-disclosure requirements increase from large pension funds in Japan, which will probably have an effect on the rest of Asia in the coming years.

From the sectors perspective, in terms of ESG data, governance is the element that is most standardised. It is also a natural extension of conventional financial analysis, where you have the most data. That's why in the offering you have the governance tool and the controversy of the metric as well because it is the expression of strong or weak governance.

On the environmental side, you have data that are more readily available, such as carbon benchmarks.

Climate has been dominating the debate. But we shouldn't forget areas such as water scarcity—that will be a problem in the much nearer future.

The one area where there is more of a challenge is the social side—it's much more vague. This can mean anything from employee welfare to paying a living wage, of which the latter will vary significantly across different countries. There's also the consideration of the impact of products on consumers. It is a very heterogeneous space and probably where there is most work to do.

**How could ESG strategies benefit a company?**

**Briol:** I don't think it is about benefiting a company, it's not a strategy that has been introduced for short term benefits. I think it comes from a sense of conviction.

Companies that may not yet be doing it are may be narrowly focusing on pure financial profits. ESG-related benefits will materialise over the longer-term for the next generation. That's the purpose when you think about target investments—the companies you choose to invest in for the long-run.

**What are you working on at Pictet in terms of ESG?**

**Schaufelberger:** Pictet has been around since 1805 and structured as an independent partnership since inception. We always say the responsibility is part of our DNA and integrating ESG into our financial analysis is a logical extension of this. Fundamentally, if you have a long-term vision of business, by definition, you should be a responsible corporate citizen.

On the asset management side, we've integrated ESG considerations across our equity and fixed income strategies, we're actually now working on integration within our multi-asset and total returns space for this year. It's a little bit more complex.

On the wealth management side, we have an offering for clients that would be interested in having a more sustainable portfolio or integrating ESG within their portfolios.

More generally, we also manage our environmental footprint and Co2 emissions extremely strictly. We've had solar panels on the roof for 10 years. It's not just products and services, but also how we do business.

**Briol:** It's not just from the investment side, it's other areas as well. We try to walk the walk and talk the talk. We try to make Pictet sustainable, for instance, we're not taking part in massive amounts of outsourcing on the other side of the world, moving people around to different locations. It's part of an overall, long-term philosophy, which is different from so many of our competitors.

As far as asset servicing is concerned, we'll be providing ratings on multiple dimensions using three providers that we've partnered up with.

We chose three major ESG rating providers within the market. Our asset management division has worked with these providers for many years, so we knew how they worked. From Sustainanalytics, we chose to look at controversy ratings, environmental assessment ratings and social assessment ratings. We chose ISS to provide governance quality scores and Trucost our carbon performance, including Co2 emissions.

Clients on the asset servicing side can access our e-banking platform and ratings on the various critiques that they have on their portfolio from a reporting standpoint. This allows you to have to have concrete reporting, it's not just about saying that you're integrating, it's about having that transparency and that look-through into your portfolio, which is relatively new in the asset servicing industry.

**To what extent do you think the sustained need for transparency corresponds with social governance in particular, especially since the financial crash of 2008?**

**Schaufelberger:** The financial crisis was the ultimate failure in governance, a demonstration of what happens when financial businesses do things for money's sake, instead of doing them for the reasons why they're there, servicing clients and ensuring that we have a well-functioning financial system and economy.

After the crisis, there was the creation of the Financial Stability Board, who looked at the underlying governance and various other issues that had led to this crisis. It also looked at fostering the transparency needed to be injected into the system to ensure a crash of that scale wouldn't happen again.

And on top of that, you had all these new challenges that were coming up, with the environment. You had the sustainable development goals in 2015 and the Paris Agreement in the same year. These initiatives show that in the past decade, there's a shared notion that we need to go toward a better system, and toward a financial system that fosters a better planet and better conditions for people. That will be conducive to more stability. You need stability for a stable economy and a healthy planet. Increased transparency is also necessary for that virtuous circle.

**Are you working with others in the industry on this initiative?**

**Briol:** We are working with and for our clients. The day you send out transparency rules on portfolios, our clients will get questions from their clients. They get questions from their boards, pension funds and investors. We've seen a lot of people start to have the debate and that's our ambition.

**Schaufelberger:** Apart from the partnerships we already have with various stakeholders, and the ongoing partnership we have with our clients, it's important to know the number of industry initiatives are broadly asking ESG questions.

We also work collaboratively on sustainable finance. Specifically, we've worked with Swiss Sustainable Finance to drive an initiative to send a letter to global Index providers to ask them to exclude controversial weapons from mainstream indices.

These controversial weapons indices have largely been excluded by international conventions and most European institutional investors today are actually excluding them from their portfolios.

When we have passive replication, we have to replicate the index. Therefore, if there are controversial weapon manufacturers in the index, we're replicating that as well.

So, you may exclude it on the active side, but on your passive side, you're exposed.

Swiss Sustainable Finance now has 145 signatories that have signed this initiative, representing about $6.9 trillion. The initiative is still open for signatories. The idea is to get the major index providers to look at how they could potentially exclude these controversial weapon manufacturers. It's interesting how far you can actually take engagement and industry collaboration on different issues linked with ESG in order to foster systemic change.

Marc Briol
CEO
Pictet Asset Services

Marie-Laure Schaufelberger
Group stewardship officer
Pictet Group

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# Czech success

## As a growing entity in CEE, the Czech Republic is rapidly standardising its capabilities but it receives fierce competition from surrounding CEE countries

*Jenna Lomax reports*

The Czech Republic has welcomed the growth and standardisations of its asset services, rising up as a financial hub since the end of communist rule in the 1990s.

It is now an established market, with the ability for more growth and technological innovation, but it faces competition from other Central Eastern Europe (CEE) countries.

As Tomáš Vácha, senior relationship manager of custody at Ceskoslovenska obchodni banka (CSOB), states: “Asset services in the Czech Republic are quite standardised, but perhaps still not as developed as in some of the other countries in the CEE, like Austria or Poland with a much higher number of equities and related corporate actions. This is mainly driven by the fact that the local market has a fairly low amount of equities to invest in, because local companies prefer financing themselves through debt.”

Vácha indicates this has both historical as well as economical reasons. He says: “The stock market did not exist for a period of more than 40 years during the communist era and although the Prague Stock Exchange has put a lot of effort into educating the local market and issuers in the past few decades, initial public offerings (IPOs) are still quite rare in the market.”

Vácha adds: “The economical reason is that especially in the past few years, with a huge excess of liquidity in the economy, interest rates were extremely low, so it was much easier and cheaper to get the money than when going through an IPO process.”

“However, when comparing the Czech market to the rest of our neighbours in the CEE, we still are positioned better than Slovakia, with almost no equity market.”

So, how could technology, for one, help the Czech Republic standardise its asset servicing capabilities further, and continue competing with other CEE countries?

### Technology

The Czech Republic’s automation and robotics may indeed grow, through application programming interfaces and distributed ledger technology, as we move toward the next decade—provided it is underpinned by innovation and efficiency.

As Martin Jericha, country manager of Czech Republic at Broadridge, states: "There's definitely sustained interest in fintech innovation, and we've witnessed a particular focus on application programming interfaces."

Michael Wood, senior product manager at Broadridge, says: "Technology such as Blockchain is seen as likely to play a role in the Czech Republic, in order to drive efficiency and service quality, and while pilots so far have mostly focused on proxy vote processing, extending beyond this into other types of corporate action is a realistic goal."

He adds: "In operations, in particular, the technology focus is shifting significantly towards the use of machine learning/artificial intelligence (AI) to replace currently manual processes."

"In the Czech Republic, firms are again increasingly willing to look beyond their own walls and partner with fintech innovation leaders to create solutions across a network of firms and capitalise on synergies and efficiencies that cannot be realised alone."

Vácha indicates: "We [CSOB], as one of the local largest custodians, definitely see opportunities in automation, machine learning and AI as this is generally one of the hottest topics for our bank in all areas of our business and we at CSOB believe this indeed is where the whole banking industry is or should be heading."

He adds: "We definitely are trying to utilise these opportunities where and when possible. In the securities services industry, this mainly applies to clearing and settlement, with asset servicing still requiring a certain level of manual intervention."

## Progression

Vàcha claims the Czech Republic is seeing continuous standardisation, as the local market bodies are trying to harmonise the asset servicing with the rest of the world, particularly the EU.

He says: "This is driven mainly by the local custodians, the local Capital Market Association, the Central Bank and the Ministry of Finance, however, the progress is sometimes slowed down by the local issuers who do not see this as one of the priorities."

On 3 September 2018, the European Commission published implementing regulations that govern how the Czech Republic should transpose the requirements of the amended Shareholder Rights Directive into national law.

The deadline set for this transposition is September 2020.

Les Turner, vice president of global proxy at Broadridge, says this will "drive significant change in market practice for the management by intermediaries of the proxy voting process, and to a lesser extent, that for corporate actions".

"The Czech parliament published its draft amendment in 2018 which already provides some idea of how this will be implemented in practice and our prediction is that the corporate governance workflow will increase levels of voting, largely as a result of the introduction new obligations on institutional investors and also the increases in transparency outlined below."

Turner also affirms "the corporate governance workflow will lower transaction costs driven by efficiencies gained through 'machine readable electronic messages' that form the backbone of the obligations on issuers and intermediaries".

He adds: "More emphasis on transparency of intermediary fees for this service may also be a factor here."

CSD Prague also opened a direct account with Euroclear Bank SA/NV and initiated the corresponding settlement link in December 2017. The account allows the central securities depository to access a wider range of services and to have access to many additional foreign markets, according to Euroclear.

Euroclear Bank provides settlement and related securities services for cross-border transactions involving equities, derivatives and investment funds.

## Looking to the future

As far as meeting regulations go, Vácha indicates: "Unlike asset servicing, clearing and settlement are moving closer to the rest of the European markets, with the new EU regulation, the Central Securities Depositories Regulation (CSDR), at a much higher pace".

He adds: "The local central securities depository (CSD) decided to link the CSDR related changes together with the rollout of the central counterparties in the local market. This will more or less copy the Austrian model."

"Although the Czech Republic is not a TARGET2-Securities market and still sticks to its national currency, the Czech Crown (CZK), the local market is now also preparing for delivery versus payment settlement of local securities in euros, in central bank money, via a link of the local CSD to TARGET2."

Vácha concludes: "There still will be a substantial portion of manual workaround connected with asset servicing, which means that local providers will still play an important role especially in this part of securities services within the Czech Republic." AST

# London calling

## As delegates gathered for the annual TSAM Asset Management Conference in London, discussions around Brexit, regulation and technology were high on the agenda

*Jenna Lomax reports*

The ongoing uncertainty of Brexit and the second Markets in Financial Instruments Directive (MiFID II) one year on, were the first discussions among a jam-packed agenda at this year's TSAM London: the Summit for Asset Management.

One of the first panels of the morning saw panellist highlight the efficiencies and inefficiencies of both MiFID II and the Packaged Retail and Insurance-based Investment Products (PRIIPS) regulation, over a year after their implementation.

One panellist stated MiFID II has "created a barrier to entry for smaller firms" and indicated that smaller firms are at a significant disadvantage right now.

He said: "There is extra pressure on the whole in terms profitability, bigger firms find this easier, rather than smaller, growing new entrants."

He further explained that the regulators behind MiFID II had not intended the regulation to affect small firms, but another panellist stated that this had happened and smaller sized firms have indeed suffered under MiFID II.

He said: "It has happened and pushed some firms out which could lead to less competition. Have I seen any fallouts on the buy side? No, I haven't seen that yet—as of yet, that is hard to quantify."

Another panellist discussed the rush to data exchange he saw in Q4 2017 as opposed to the lack of data exchange in Q3 2017, where from that he became concerned. When comparing Q4 2017 to Q4 2018, he stated: "Many firms had a much more peaceful Christmas in 2018."

One speaker indicated that six months on from MiFID II implementation in January 2018, he saw a "massive wave of reflection" in June 2018, where firms were looking at exactly what they had implemented under MiFID II.

He highlighted that the two main drivers of MiFID were firstly a ticking box exercise and benchmarking. Secondly, it was about going through one of two cycles of reporting and trial and error—where firms were working out what was the most expensive method while attempting to make processes more efficient.

The panel went on to discuss the PRIIPS regulation, with one speaker affirming that the guidelines to PRIIPS are likely to change.

He said: "The guidelines are always changing with PRIIPS, regulators will always aim at making it more agile."

One panellist said: "There is a theme of the complexity of data in the industry right now. We are aiming to keep up to speed on the technological speed of various functions, not just client reporting—as well as growing on the investment side and regulatory side. The markets haven't fundamentally changed, I've seen no massive falls in liquidity—liquidity is poorly defined by trade volume, but when there is a dislocation, you should question if there are still buyers out there."

In closing, the moderator asked both panellists their key wishes for MiFID II and PRIIPS—essentially how they would like both regulations to progress.

The first panellist said: "We had our big bang with MiFID II, a lot has happened since then. Let's try and solve the unintended consequences of MiFID II before we start putting through new regulations."

The other panellist said: "I completely agree with that. Let's work with the industry, to make sure there is a level of consensus before moving ahead because clearly, that didn't happen enough with MiFID II."

The next panel gave an update on Brexit to which a head of legal gave an indication that most EU countries are taking it upon themselves to create agreements with the UK, or are creating domestic laws in preparation for a no-deal Brexit.

The panellist, who works at a global bank, said that the indications of individual countries doing this are similar to the European Securities Markets Authority's (ESMA's) recent deal with the Bank of England for the recognition of central counterparties (CCPs), in the event of a no-deal Brexit.

The recent deal also recognises central securities depositories established in the UK.

The speaker discussed the UK government's possible vote on 12 March, to decide on a "tweaked deal or a no-deal with no transition".

She added: "It is quite likely there could be no deal."

The panellist said countries that have put forward or are drafting domestic laws and/or agreements with the UK in the case of a no-deal Brexit include Sweden, Austria, Malta, Finland, Spain, Belgium and Luxembourg, among others.

She explained: "All [these countries] have Brexit decrees, all have, or are, drafting decrees, they are going out on their own for contingency plans."

Another panellist, who works at a global investment firm said all his business' preparations have been moving toward a no-deal Brexit and he affirmed his business "would be ready if 29 March goes ahead".

The moderator then asked the panellists how Brexit features in client relationships.

To this, one panellist said: "If you're in charge of contingency, and you are ignoring a hard Brexit, you're probably not doing your job properly."

He added: "Moving clients is a process that can't easily be reversed, but you need to have that insurance policy for Brexit. If you're looking at fund jurisdiction, most firms now have a Luxembourg or Ireland product."

Another panellist said he had not had to move many staff and looked at it as not a massive migration but an "expansion of capabilities".

He added: "In Ireland, we have staffed up appropriately, it's not hundreds of people being moved. We have hired locally."

Technology was another topic on top of the agenda for TSAM, with one panellist stating that robotic process automation (RPA) will not take over human intervention in an afternoon panel on 'Revolutionising Operations'.

An audience member also suggested that the industry shouldn't let a robot carry out any critical processes. The panel moderator then asked the panel what governance and control the industry needs to implement and start managing that.

One panellist said: "There needs to be governance around the process of RPA, you need to centre your expertise internally, you must have people who know business on one hand and technology on the other."

He added: "Your risk officer should always be involved, as well as your CEO."

In a later panel, there was discussion around how important it is to know your client, with distributed ledger technology (DLT) and blockchain in mind.

To this, the panellist stated: "In order to get the big banks and investment firms of the world involved, you can't go against government or regulation. So there will need to be some kind of transparency and ways to make sure we don't let in the wrong people, trying to scam us. I can see where this libertarian approach comes into the notion of blockchain, but you still have to follow regulators."

The moderator also asked the panel if they thought that London, in the context of Brexit, would remain a good start-up location for DLT or blockchain businesses to thrive.

The panellist stated: "London is still the location for this. Obviously, there is a lot of capital in London as well. Where blockchain is concerned, the top 20 tokens in the world are based outside of the US, so there's an opportunity for a global movement of blockchain beyond Silicon Valley. London is well positioned to be one of the leaders."

When discussing the biggest conception of blockchain and DLT, the panellist said: "Many tend to conflate bitcoin with cryptocurrencies, which was the case until recently."

He added: "The biggest misconception is the governance of these companies, but when you have an engineering team sitting next to you as well as a design team, you can foster a lot of innovation in your decision-making processes."

"Unfortunately, when people hear about scams, they start to ignore the space altogether. These are still early days, but I don't think many people realise how quickly it will change the industry within the next few years. It's only a matter of time before mass adoption."

Toward the end of the day, a member of the World's Pensions Council discussed the emergence of Environmental, social and corporate governance (ESG) initiatives in a panel entitled 'The investment firm of the future: integrating financial, ESG and country risk metrics across financial markets'.

The speaker discussed the rapid level at which ESG initiatives are arising within pension funds and asset owner's agenda.

He explained that ESG initiatives used to be an after-thought or impact mandate, but they are now becoming "essential to the future of finance. More smart investors and more asset owners want to buy a share of companies who have an investment in climate action, gender equality and water conservation. Asset owners are transforming the world economy." AST

# Comings and goings at Intertrust, Broadridge, Digital Asset and more

**Intertrust has repositioned its fund services team in the Channel Islands to ensure future growth and development.**

Intertrust now has two specialist service teams for private equity and real estate in the Channel Islands.

Michael Johnson, head of funds in the Channel Islands, will oversee both Intertrust's private equity and real estate businesses.

Johnson will lead a team of more than 150 fund service specialists across Jersey and Guernsey.

Alex Di Santo, head of private equity, will continue to lead a team of 65 to grow Intertrust's private equity business in Jersey.

Di Santo has more than 15 years of experience in the sector and knowledge of offshore and onshore fund structuring.

Kees Jager, head of funds, Guernsey, will focus on growing the business in the island and strengthen the links between the Guernsey and Jersey teams. Kees has more than 19 years experience working in fund administration. Jane Stammers has been appointed head of real estate and has more than 20 years experience in offshore administration, specialising in providing strong offshore management and corporate governance.

Simon Mackenzie, managing director at Intertrust in Jersey, said: "We recognise that fund services are a hugely competitive market in the Channel Islands and these changes will enable us to build on our position at the forefront of the industry."

He added: "Greater alignment between our Jersey and Guernsey teams harnesses our collective strength and Michael Johnson's experience in heading up this team will be vital."

"Michael Johnson, Jane Stammers, Alex Di Santo and Kees Jager have all played an integral part in the growth of our fund services team in the Channel Islands and we look forward to their leadership continuing the team's success in 2019 and beyond."

**Rafael Mendez has joined Broadridge as business analyst, Securities Finance & Collateral Management (SFCM).**

In his new role, he will work on both internal and external client projects gathering requirements and defining the functionality required.

Amongst other responsibilities, he will also liaise with the development team where appropriate to identify the best solution and determine the effort required to develop this.

Based in Amsterdam, Mendez will report to Gilbert Scherff, who is also Amsterdam-based.

Most recently, Mendez served as a trader for securities lending and collateral management at KAS BANK.

Mendez worked at KAS BANK for just over seven years.

**Gavin Wells is to leave his role as head of Europe for Digital Asset in March.**

Wells' next role is unknown, however, he plans to continue his work as the Chair of Action Breaks Silence, a charity which aims to combat gender-based violence.

Oliver Hugh-Jones, currently head of business development in Europe, is due to replace Wells. Hugh-Jones joined Digital Asset in August last year and has more than 20 years of experience selling and supporting financial technology solutions in Europe and North America. Prior to Digital Asset, Hugh-Jones worked for FIS/SunGard as head of sales, Europe, Middle East and Africa for global trading and buy-side solutions.

Hugh-Jones also served as head of sales for SunGard's treasury and trade execution solutions prior to the acquisition of SunGard by FIS in 2015. He has also worked for Fidessa and Tradeweb.

In addition, Zohar Hod has joined Digital Asset as chief strategy officer in New York.

In this role, Hod will be responsible for potential growth and profitability opportunities, analyse the competitive landscape and market demand for distributed ledger technology solutions across a variety of industries.

Prior to Digital Asset, Hod was the CEO of truePTS, an independent post-trade processing and product-agnostic venue that delivered operational and processing benefits for global derivatives to dealers, buy-side firms, inter-dealer brokers, and clearinghouses.

Earlier in his career, Hod served as the global head of technology and data sales at the Intercontinental Exchange Data Services, which he joined in 2014 as part of the exchange's acquisition of SuperDerivatives, a provider of multi-asset risk management analytics, financial market data and valuation services in 2014.

**The Aztec Group has appointed Pete Blackburn and Farhan Ahmed to its real assets senior leadership team in Luxembourg.**

In his new role, Blackburn will have overall responsibility for a portfolio of real estate and infrastructure clients, overseeing outsourcing activities such as financial reporting and administration.

Previously based in the group's Jersey office, Blackburn has been with the group for more than 10 years and has held numerous roles in relationship management and financial reporting.

Blackburn was promoted to associate director in 2013.

Joining the group as a director, Ahmed will lead a number of client relationship teams responsible for the delivery of administration services to a portfolio of real asset managers.

He will also support clients with technical issues surrounding The International Financial Reporting Standards and Lux Generally Accepted Accounting Principles.

Prior to joining the Aztec Group, Ahmed held the role of director of audit and assurance for EY Luxembourg, where he focused primarily on real estate, infrastructure and private equity clients.

According to Aztec Group, Blackburn and Ahmed will both play a central role in shaping and driving the development of the group's real assets offering across Europe.

Commenting on the appointments, James Vella-Bamber, head of real assets for Luxembourg, said: "I'm delighted to welcome Pete Blackburn and Farhan Ahmed to our real assets senior leadership team in Luxembourg. They both have an incredible amount of knowledge and expertise in alternatives and I look forward to welcoming them on board as we continue to strengthen our position as one of the leading fund administrators in Europe."

**AST, a tech-enabled ownership data management and advisory firm, has appointed Alan Eddie as chief technology officer, overseeing the company's technology strategy and operations.**

Based in New York, Eddie will report to president and Marty Flanigan, CEO.

Eddie brings experience in strategic technology planning, innovation and digital transformation.

Eddie was most recently chief information officer of trading technology at Nordea, delivering and managing technology solutions for its capital markets, wholesale banking, wealth management and asset management practices.

Prior to his time at Nordea, Eddie was managing director of technology at JPMorgan Chase.

Before JPMorgan Chase, Eddie held several senior technology roles at both RBS Global Banking & Markets and UBS, and also served as vice president of cash management technology at Citigroup.

Flanigan said: "Alan Eddie is well known and respected for his strategic leadership and innovative approaches, having made a transformative impact on some of the world's preeminent banks through large-scale business line and company integrations, the buildout of regulatory reporting and lending systems, and the implementation of revolutionary platforms to manage client interactions."

He added: "We are pleased to welcome Eddie to our senior leadership team and know he'll play a key role in the ongoing transformation of our business, to the benefit of our clients."

Commenting on his new role, said: "I'm excited to join AST because the firm's expert advisory and ownership services are backed by a team that is talented and passionate about innovation and driving the industry to new levels."

He added: "AST's proprietary technology platforms, like the mutual fund proxy voting solution powered by blockchain, and the issuer central platform integrating registered and street data, can help companies achieve their goals with speed, accuracy and transparency."

**Deutsche Bank has appointed Tony Chao as greater China head of securities services.**

In this newly created role, Chao will be responsible for driving the strategy of the bank's securities services business in Greater China, covering Mainland China, Hong Kong and Taiwan.

Based in Shanghai, Chao will report to Anand Rengarajan, the Asia Pacific (APAC) head of securities services regionally, and to Dirk Lubig, head of global transaction banking, China.

Most recently, he served as head of securities services/investors and intermediaries at Standard Chartered Bank (China).

Chao has 30 years of experience and has held various sales and relationship management roles for several financial institutions in New York, Singapore and Shanghai.

Lubig commented: "There is no doubt that global institutional investors will play a much bigger role in Greater China's capital markets, and we are well positioned to offer them best-in-class securities services capabilities and local expertise on the ground."

"Tony Chao's appointment reinforces our commitment to bridge Greater China with global markets for our clients."

Rengarajan added: "This new role reflects the broader bank strategy towards growing its Greater China franchise. With Chao's experience and track record, I am confident that we can take our Securities Services franchise in Greater China to a new level."

**Citibank (China) has appointed Ji Yang as head of markets and securities services (MSS), and Vicky Tsai as head of securities services.**

In his new role, Yang will be responsible for planning and delivering the key priorities of Citi's MSS business in China.

Yang will report to Christine Lam and Stuart Staley, head of markets and securities services for Citi Asia Pacific.

According to Citi, in his most recent role, Yang distinguished himself by building out Citi's Greater China corporate sales business, which has delivered significant growth over the last four years.

Meanwhile, Tsai will lead the China team to deliver on strategic initiatives and business plans as well as to grow and deepen Citi's securities services presence in China.

Additionally, Tsai will work in partnership with clients, infrastructure providers and regulators.

Tsai will report to Harry Peng, head of prime, futures and securities services for Hong Kong and China, and will also report to Ji Yang and Aashish Mishra, head of direct custody and clearing of Asia Pacific.

Lam, president and CEO of Citi China, said: "I am confident that Yang and Tsai and their teams will continue to enhance standards in client service and to further contribute to the development and prosperity of the financial services market in China." AST