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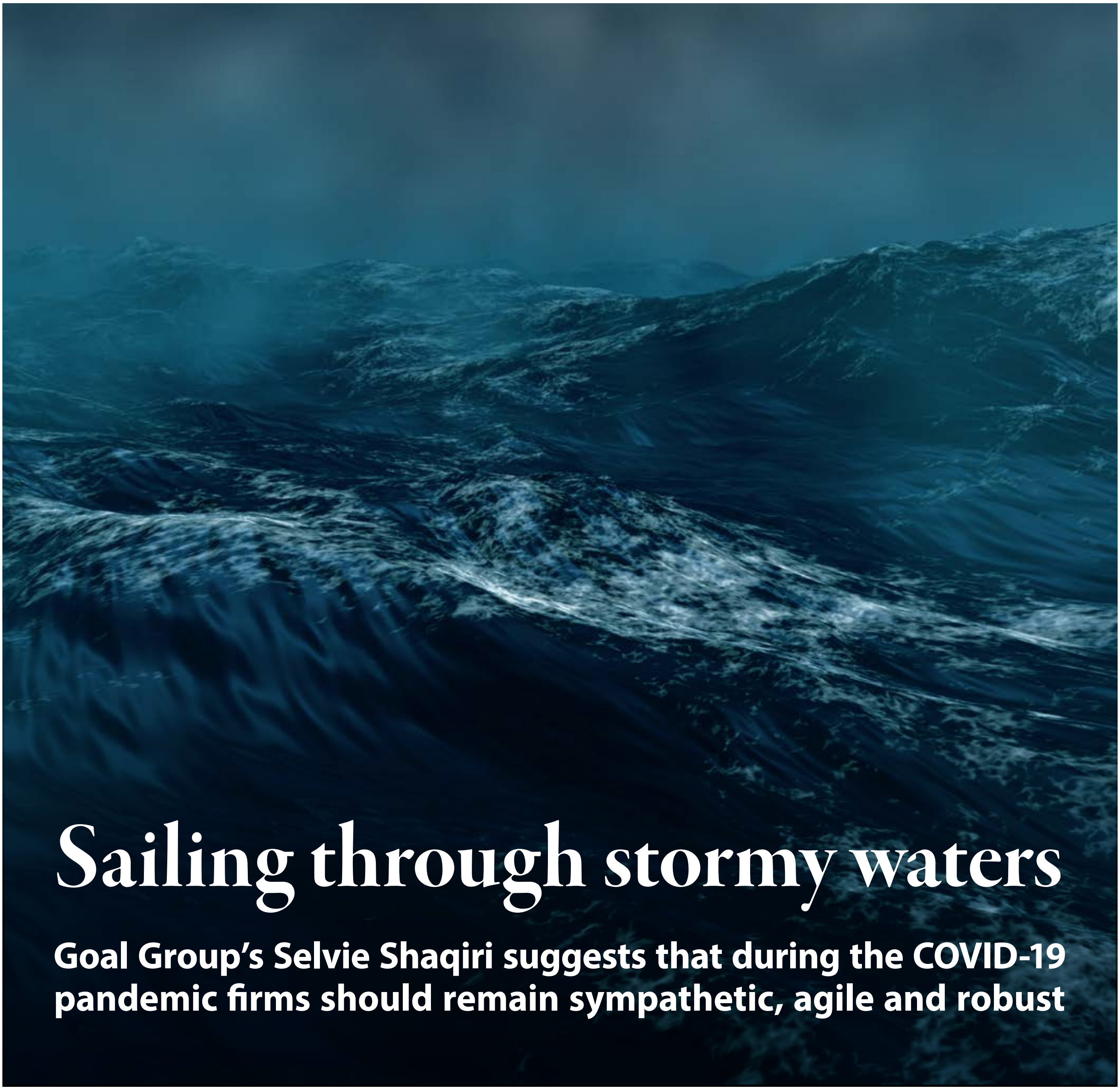


Sailing through stormy waters

Goal Group's Selvie Shaqiri suggests that during the COVID-19 pandemic firms should remain sympathetic, agile and robust

Bank of England further cuts interest rate to tackle COVID-19 challenges

The Bank of England has reduced the bank rate by 15 basis points to 0.1 percent amid the challenges associated with COVID-19. The announcement (19 March) came just over a week after the Bank of England cut the bank rate by 50 basis points to 0.25 percent from 0.75 percent in an emergency move to help UK businesses and households deal with the disruption associated with COVID-19.

In addition to cutting the rate back further, it has been voted by the Monetary Policy Committee (MPC) to increase the Bank of England's holdings of UK government bonds and sterling non-financial investment-grade corporate bonds.

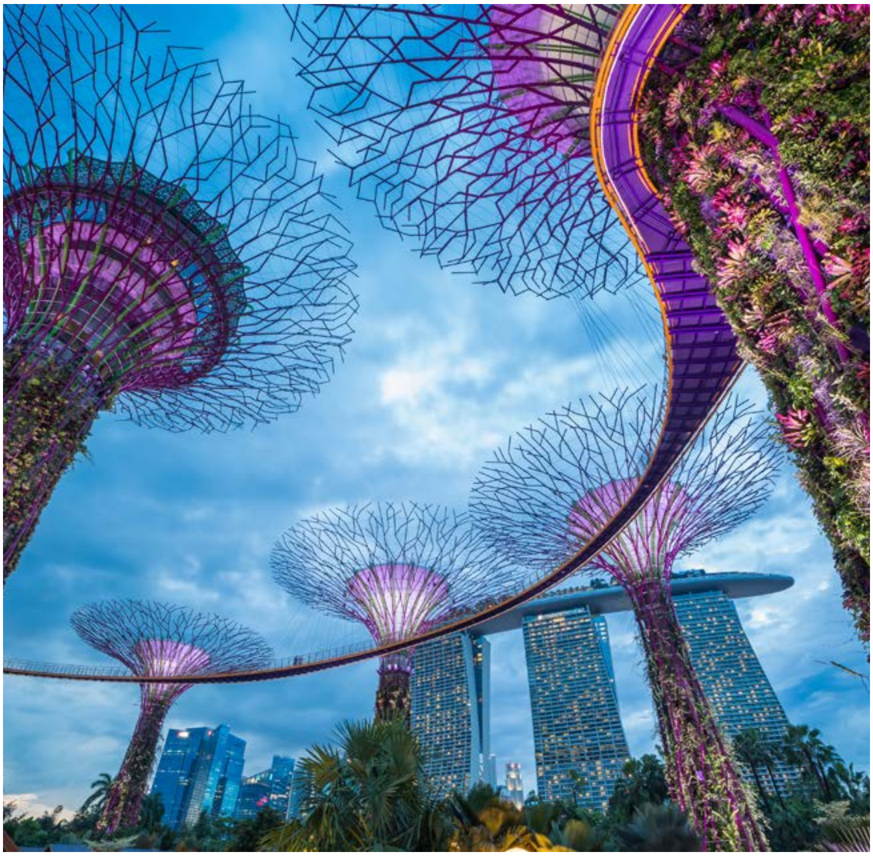
This will be increased by £200 billion to a total of £645 billion, financed by the issuance of central bank reserves.

It has also been agreed that the Bank of England should enlarge the term funding scheme with additional incentives for small and medium-sized enterprises, also financed by the issuance of central bank reserves.

The bank explained that the majority of additional asset purchases will comprise UK government bonds.

According to the bank, the purchases announced today will be completed as soon as it is "operationally possible, consistent with improved market functioning".

In its announcement, the bank stated: "The spread of Covid-19 and the measures being taken to contain the virus will result in an economic shock that could be sharp and large, but should be temporary."



BNP Paribas Securities Services wins VCC mandate

BNP Paribas Securities Services has been appointed by Kamet Capital Partners to provide fund administration and global custody services in Singapore. Kamet Capital Partners is one of the first fund managers to use Singapore's new variable capital company (VCC) structure.

The Variable Capital Companies Act came into effect in January this year and is designed to strengthen Singapore's status as a regional fund distribution hub.

Kerry Goh, CEO of Kamet Capital Partners, said: "We spent time understanding the services of many fund administrators and custodians before coming to a decision. We selected BNP Paribas Securities Services for its attention to client needs and willingness to grow alongside Kamet."

Diana Senanayake, head of BNP Paribas Securities Services Singapore, commented: "We are delighted to be appointed by Kamet Capital and to support such an innovative manager in its plans to use the VCC. This demonstrates our team's strength supporting our clients' international growth from Singapore."

"We have been the first to support clients in accessing many of the newly created schemes across the region, including the mutual recognition of funds schemes between Asia and Europe," Senanayake added.

TSAM: Industry concerns increase as COVID-19 causes supply problems

The global financial crisis caused a huge demand issue, however, currently with COVID-19, the industry is facing a supply problem, according to panellists at The Summit for Asset Managers (TSAM) in London.

One speaker said that amid the virus companies are not able to meet people's needs, using hand sanitizer shortages as an example.

"The central banks are not well-equipped to deal with that. There will always be risks with shortages in supply", the panellist continued.

As a result of the challenges associated with the virus, the Bank of England made a cut in interest rates, which will "provide liquidity and much-needed support for small and medium-sized enterprises".

The Bank of England stated that its role "is to help UK businesses and households manage through an economic shock that could prove sharp and large, but should be temporary".

Speaking on the panel, one participant observed: "Liquidity has been a main challenge for the industry over the past few years. I think part of the challenge for banks is the regulation that is imposed upon them; banks can't make markets in the way they used to. I think this is one of the unintended consequences of regulation – the constraints on banks."

One speaker highlighted that "the buy side now holds 43 times the inventory of corporate bonds than the sell side. Only 3 percent of the

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corporate bonds will trade, so the amount of liquidity available to the banks is gone."

"Liquidity is like a mirage, it evaporates as soon as you try to reach it. All of that risk and liquidity provision has effectively been moved to the buy side," the speaker said.

Another panellist commented: "One of the myths that exploded in the past few years is that there is a price for anything, but there isn't. After a crisis there is a dry up – nobody wants to buy anything. If there is no buyer, there is no market and no price."

According to one speaker, some people want liquidity curves for every single asset over a number of years. "The concentration of risk is much higher on the buy side than it ever used to be," they said.

Meanwhile, one speaker affirmed: "Asset classes always have been, and always will be, less liquid. Over the last 10 years, with rates kept relatively (some say artificially) low, the proportion for the overall yield is relatively higher, so does that make the asset class more valuable to the portfolio provider? It is the proportion of the liquid assets that are important – and it is about how you define a liquid asset. As times become stressed as we have seen over the last few weeks, whether or not you're getting enough of the pick up is very important. When you want it – liquidity isn't there."

Concluding the discussion, one speaker cited: "I think the mood of the market, in terms of governance, has changed since 2008, central banks have no interest in paying tax dollars in propping up failing financial institutions. Is there a balancing act to be had? Yes. Is there an easy answer/solution? No, probably not."

Australia grows custody business with RBC agreement

Citi Australia has expanded its custody business through a client transfer agreement with the Royal Bank of Canada's (RBC) custody business. As a result of the transaction, Citi expects to significantly grow its market share.

Citi explained it will also bolster its Kuala Lumpur regional operations site, with a number of RBC's Kuala Lumpur-based employees expected to join Citi.

The expansion in Citi Australia's custody business follows the signing a memorandum of understanding with RBC in November last year, with the intent to facilitate an orderly transfer of the RBC client base to Citi over a 12 to 24-month period.

Citi Australia's head of securities services, Martin Carpenter, expects the majority of clients to "transition to Citi and benefit from the bank's industry-leading platforms, proprietary custody network and excellent client servicing".

Julie Kerr, Citi's regional head of custody and fund services, said: "This transaction reflects Citi's ongoing investment and commitment to the securities services business both globally and locally. Australia is a targeted growth market for Citi's custody and fund services business."

Andrew Allen, general manager at RBC, stated: "We are proud of the business we have established in Australia, however, after careful consideration, we have concluded that the complex and dynamic nature of the market in Australia meant it was difficult for us to grow the business to the size and scale required to deliver meaningful value for our shareholders and clients."

"We consider that it is in the long term interest of our clients and employees to seek a transfer of our business to an organisation with a client focus and strong offering in the market," Allen added.

Financial institutions join forces to develop FundsDLT

Clearstream, Credit Suisse Asset Management, the Luxembourg Stock Exchange, and Natixis Investment Managers have teamed up to launch FundsDLT, a blockchain-based technology platform for the investment fund industry.

The financial institutions announced a Series A investment in FundsDLT to develop a novel decentralised technology platform to facilitate the distribution of funds based on distributed ledger technology (DLT).

According to Clearstream, the Series A funding will strengthen the FundsDLT platform and "accelerate its commercial development".

FundsDLT is built using permissioned blockchain technology based on Ethereum that ensures privacy and high performance.

The new platform will enable the reengineering of the fund distribution value chain, from front to back, covering the entire fund lifecycle. Additionally, the platform allows asset managers, distributors, asset servicers, and the entire supply chain to reduce costs by removing redundant activities.

Philippe Seyll, CEO of Clearstream Banking S.A., explained: "FundsDLT is an international initiative that streamlines a number of activities along the fund distribution value chain and has the potential to reduce costs for the benefit of investors across fund and investor domiciles. This investment is a critical step in our digital strategy and will complement and strengthen our current Vestima offering."

Joseph Pinto, chief global operating officer of Natixis Investment Managers, commented: "The digital transformation poses some of the greatest challenges and opportunities for the investment management industry today, and blockchain can play an important role."

"We believe it is critical for the investment management industry to increase transparency and improve operations rapidly. FundsDLT will help us achieve these objectives and will, in turn, allow us to provide an enhanced experience for investors by leveraging blockchain technology," Pinto added.

ECSDA welcomes inclusion of digital assets into current regulatory frameworks

The European Central Securities Depositories Association (ECSDA) has approved the inclusion of digital assets into the existing regulatory frameworks, following the European Commission's consultation on crypto assets.

Incorporating digital assets into the regulatory frameworks will "inject trust and legal certainty", according to ECDSA in its response to the EC's consultation.

Additionally, the association said it will enable quick adoption, address financial stability, consumer protection and market integrity needs.

ECSDA highlighted that current EU legislation, such as the Central Security Depository Regulation, is "technology-neutral and fit for purpose for investment tokens".

The association stated: "It was built for achieving the goal of investor protection and mitigation of systemic risks, not to support a specific technology. It noted that these safeguards are relevant for servicing any type of assets, disregarding the underlying technology used.

In its response, the association said: "It was built for achieving the goal of investor protection and mitigation of systemic risks, not to support a specific technology."

"It provides for key safeguards enabling stakeholders, such as issuers, intermediaries and other service providers, to operate in a clear environment with limited risk."

This comes shortly after industry participants recently expressed the need for regulation on digital assets that can be integrated with existing technology and processes to run properly in regulated environments.

Industry experts explained that this is so they can trust and align digital assets with the existing business.

In November last year, the International Securities Services Association also called on industry participants, including central securities depositories, regulators, custodian banks and central counterparties, to recreate universally recognised market standards and definitions for the emerging crypto world.

BitGo launches Excess Specie Insurance for custody clients

BitGo has launched dedicated customer 'Excess Specie Insurance', which will be provided to custody clients.

Excess Specie Insurance includes "highly competitive premiums due to BitGo's underlying $100 million programme", and "adjustable limits", according to BitGo.

Additionally, Excess Specie Insurance features prorated premium so clients only pay for the relevant period of protection.

BitGo explained that clients who purchase Excess Specie Insurance will be named as dedicated customer loss payee in the policy, ensuring an additional layer of protection.

This comes after BitGo introduced insurance protections for digital assets which included $100 million for assets held in BitGo Custody through the world's specialist insurance and reinsurance market in London in 2019.

Crypto.com is one of BitGo's first clients to take advantage of the dedicated customer excess limits policy.

Kris Marszalek, co-founder and CEO of Crypto.com, said: "BitGo carries a robust insurance program, elevating the scope of protection for our digital assets in their custody and providing further assurance to our customers that their funds are safe and protected."

Mike Belshe, CEO of BitGo, added: "The new excess policy is the strongest and lowest cost full coverage for digital assets in the market today."

"I'm very proud of the team because this innovative program is only possible thanks to the foundation of cold storage insurance that BitGo and our underwriters established in 2019."

Standard Chartered forms new financing and securities services unit

Standard Chartered is set to combine its securities services and portfolio risk management in the financial markets business to form a new financing and securities services unit.

The combination will allow greater alignment of the prime business within portfolio risk management, according to Roberto Hoornweg, global head of financial markets at Standard Chartered.

Additionally, Hoornweg said that the move will harmonise Standard Chartered's offering in financing, custody and clearing, as well as fund services for clients.

Current global head of securities services, Margaret Harwood-Jones will co-head the new unit with Emmanuel Ramambason, who currently serves as global head of portfolio risk management.

Both Harwood-Jones and Ramambason will report to Hoornweg.

Hoornweg added: "The combination will also further enhance the synergy between financial markets and transaction banking within our corporate, commercial and institutional banking business, to ensure we are fully equipped, relevant, and best-placed to service our clients."

The financing and securities services unit will include all existing securities services activities including custody, clearing, fiduciary and fund services, and securities lending.

Additionally, it will include all portfolio risk management activities across prime services, money markets, central funding desk, credit valuation adjustment and the modelling and analytics group.

Acorn Life selects FRS for investment administration

Acorn Life has appointed Financial Risk Solutions' (FRS), a provider of fund administration software to global life assurance and asset management companies, to manage its life assurance book of the business.

FRS' Invest|Pro platform will manage the investment administration of all Acorn Life unit-linked funds, including unit-pricing, cash allocation and rebalancing, and trade order management.

The model also offers "flexibility and provides a comprehensive investment fund administration platform to manage cash flows between the company's member administration system and its external investment managers", Acorn Life explained.

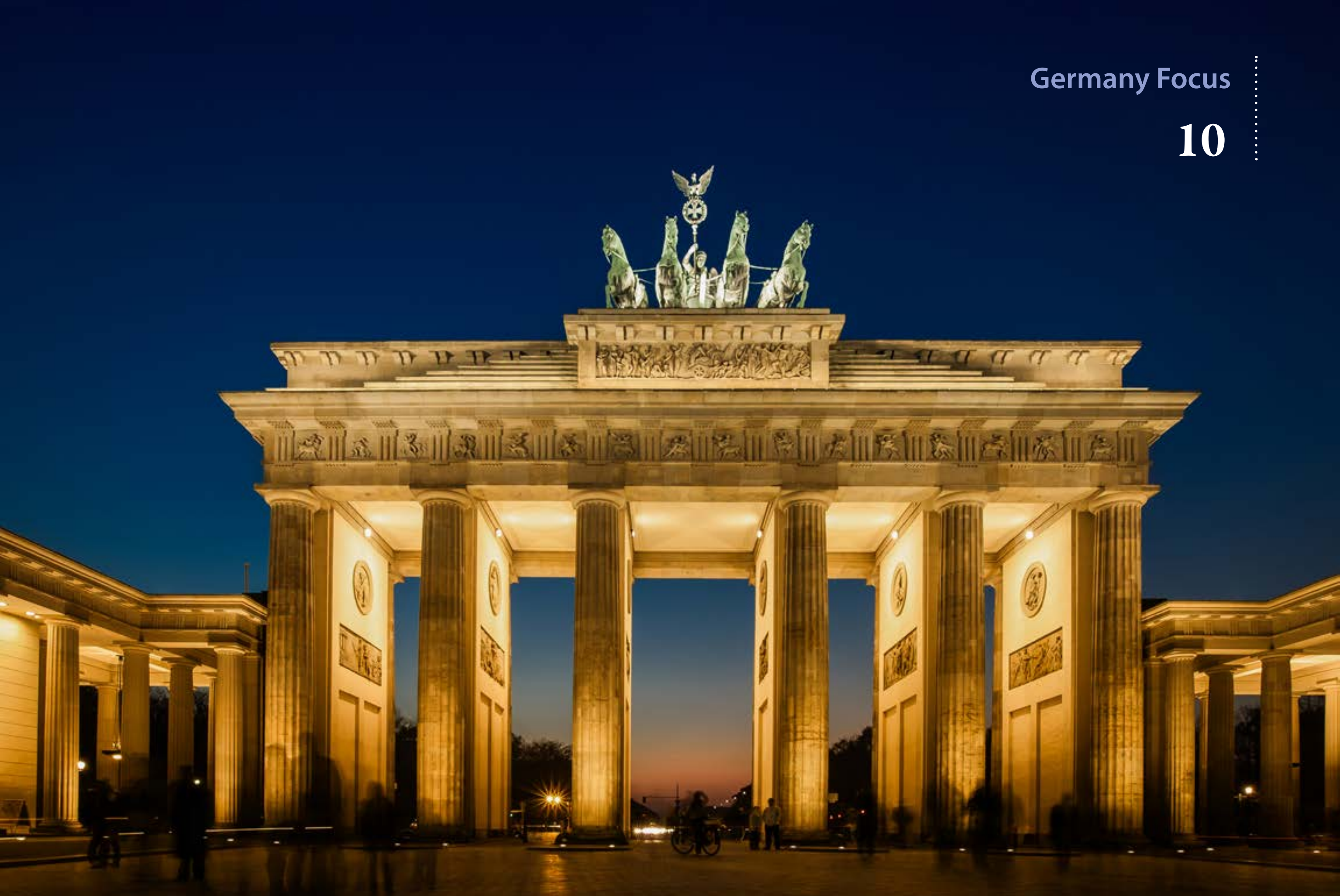
Acorn Life recorded €698 million of assets under management at the end of 2018.

Jennifer Loftus, head of actuarial function at Acorn Life, commented: "When the time came to move from in-house investment administration to a specialist provider, FRS was the obvious choice."

"The Invest|Pro platform is a market leader in unit-pricing and unit-linked fund administration, and their wealth of domain knowledge in this specific market is second to none."

Frank Carr, director, at FRS, said: "Acorn Life is one of Ireland's great business success stories. They have been operating for over 30 years, have a team of 250 staff and financial advisors across the country, and are well respected for their dedication to quality customer service."

"We are proud to have been selected as their investment administration partner and look forward to a long and fruitful partnership supporting them in their continued growth," Carr added.



A change in priorities

Maddie Saghir reports

With a robust and mature reputation in asset servicing, Germany has been working towards further enhancing its technology along with ESG strategies and increasing investor confidence, however, the focus has moved to the current COVID-19 pandemic and its impact on the market

Germany's asset servicing market boasts a reputation of having a developed and mature market against a stable backdrop in its political environment, as well as a robust economy and healthy consumption rate.

The current COVID-19 pandemic has seen a range of relief and temporary support measures of monetary policy and fiscal stimulus measures launched by the European Central Bank (ECB), but also at the national level through various legislative and government measures taken by national governments.

These measures also include the German legislator passing a law that aims to mitigate the consequences of COVID-19 in respect of various specific corporate, insolvency, contract and criminal law matters.

This is in addition to earlier legislative changes that provide a protective shield for employees as well as tax-related liquidity assistance companies affected by the economic fallout.

As in other countries, these legislative changes aim to preserve and facilitate the continuation of firms that have or may become affected and/or insolvent as a result of the on-going economic difficulties.

As part of that goal, the German Federal Government has passed legislation introducing a new economic stabilisation fund (WSF) that will be able to provide guarantees of up to €400 billion for debt instruments from when this legislation enters into effect until 31 December 2021 as well as to provide support to alleviate liquidity concerns and assist recapitalisation efforts, including by purchasing certain eligible debt and equity instruments, up to an overall limit, and in respect of certain companies that meet eligibility criteria.

These measures are in addition to easing conditions for existing loans from German state bank KfW, and launching additional targeted programmes. These measures above may have a wide range of impact on issuers, collateral management but also on asset servicing.

Equally, and perhaps more importantly for asset servicing business in Germany, the ECB Single Supervisory Mechanism and the BaFin have communicated various temporary easing of regulatory standards that apply to a range of financial services providers – notably banks, Michael Huertas, partner, co-head financial institutions regulatory Europe at Dentons, observes.

Huertas says: "Some of these changes while directed primarily at banks in terms of focusing on their capital conservation, agreeing to the deferral of paying dividends and carrying-out buybacks may also carry through to other market participants."

Despite the temporary relaxation of certain rules, Huertas also explains that there is likely to be "much sharper supervisory scrutiny on how firms over the medium to longer-term comply with EU and national rules on non-performing loans (NPLs), credit servicing standards and consumer protection more broadly".

He adds: "This is in addition to supervisors regrouping their 2020 priorities and focusing much more intensely on how firms are managing operational resilience pressures both from cyber and more a traditional set of risks."

> *There is likely to be much sharper supervisory scrutiny on how firms over the medium to longer-term comply with EU and national rules*

Brexit impact

Although any talk of Brexit has been quiet in recent weeks due to the COVID-19 outbreak, questions have been asked as to whether Frankfurt will be able to strengthen its position as a financial centre as a result of the UK's exit from the EU.

Anja Maiberger, managing director, in charge of sales and relationship management CACEIS Bank's German branch, explains that although the UK will no longer be in the EU, it will remain a "large and unique" market in terms of asset management.

Maiberger suggests that Frankfurt, along with Paris and Luxembourg, "has certainly benefited from Brexit, and a number of banks have also taken the major strategic decision to move their European headquarters to continental Europe".

In terms of the longer-term effects relating to Brexit, Societe Generale's Christian Wutz, managing director, Germany, says that this is not easy to predict as Brexit took place at the end of January and further development is yet to be observed.

Research from industry experts has suggested that as a financial centre, Frankfurt has attracted the most "Brexit companies" within the remaining EU. Around 30 banks and 20 financial service providers have moved to the city and approximately 1,500 new jobs have been created, according to the research.

Investor attraction

With firms relocating to Germany as part of Brexit plans, the country continues to be an attractive location for institutional investors.

Wutz explains that the German regulatory framework of the fund market offers institutional investors "a safe environment for the growth of their assets creating an ideal market for alternative investment funds".

One of the most attractive investment vehicles for asset owners on the German market is the special fund. Wutz suggests that, like mutual funds, special funds are subject to the Investment Act and the supervision of BaFin but are less regulated.

Under German law, no more than 30 investors may participate in special funds. As a rule, however, only a single investor is involved in a special fund.

Wutz says: "The market had growing overall assets under administration rates of nearly 16 percent during 2019. This specific German fund type enables individual and flexible income management for institutional investors who pursue individual investment objectives, such as insurance companies, pension funds, church associations or foundations."

Maiberger also explains that BaFin legislates to ensure a secure and stable regulatory framework for local and foreign investors, "making Germany an attractive jurisdiction for launching funds and running an asset servicing business".

ESG factors

In order to maintain its reputation, and keep in line with global trends to become more eco-friendly, industry experts have identified a trend by German institutional investors who are increasingly looking to take sustainability criteria into account for their investment decisions.

Environmental, social, and governance (ESG) factors have become more mainstream in recent years within asset servicing, but there are opportunities to be had for the market.

Daron Pearce, CEO of Europe Middle East and Africa at BNY Mellon Asset Servicing, suggests there are opportunities for the asset servicing industry in ESG analytics and reporting, "though challenges remain with inconsistent ESG data and an absence of standard ESG terms, metrics and reporting frameworks".

Wutz also suggests that previously ESG was "purely an afterthought", however, now asset managers can create their own criteria for their portfolios, "it is increasingly moving from a post-trade to a pre-trade subject".

Wutz says: "The question here is whether these criteria will be undermined by law in the future. In France, for example, there has been an article in the Energy Transition Act since 2015 that obliges institutional investors to publish their carbon footprint."

Maiberger adds: "Market awareness of ESG factors is growing and as the legal framework governing ESG becomes better defined, investor demand for ESG-related reporting will increase."

On the horizon

Although future priorities are likely to change due to disruption from the COVID-19 pandemic, and will continue to change depending on the state of the market, Pearce suggests that asset servicing providers continue to evolve to differentiate themselves through rapidly developing opportunities of digitisation, data management and automation.

Pearce predicts: "Technology will allow the industry to reshape the operating model. The focus of this transformation process is the seamless integration between front, middle and back-office systems that simplifies data exchange and data management, streamlines the processes of institutional investors, asset managers and the asset service providers, as well as delivering a better client experience."

Maiberger also expects technology to be key to the development of service in the asset servicing industry.

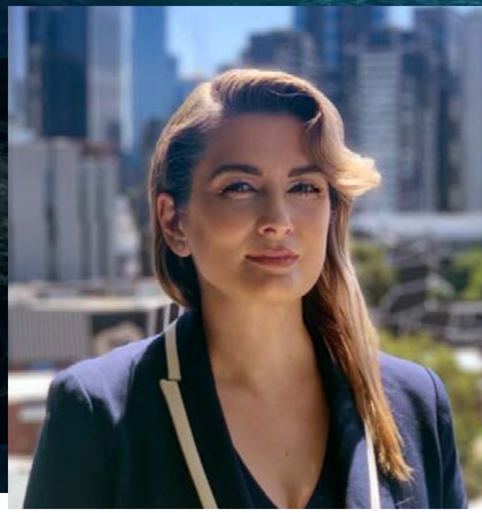
She highlights: "Client demand for new servicing solutions depends greatly on a group's technical proficiency, financial strength and ability to spread the cost of development across multiple clients."

The German regulator will continue to adapt the regulatory framework to raise investor protection levels, according to Maiberger. She concludes that this "will serve to improve investor confidence in German financial institutions and the companies that service their assets".

Sailing through stormy waters

Becky Bellamy reports

Goal Group's Selvie Shaqiri suggests that during the current COVID-19 pandemic, strong leadership and reinforced accountability are principal to ensuring the right thing is done for investors, stakeholders and communities at large



How would you describe the current investor services market in Asia Pacific?

The current investor service market is dynamic and ever-changing as the markets across the region vary in sophistication. As the markets feel the burden of the current health pandemic, custodians and vendors alike are in contingency mode to minimise the impact on the business as usual. Most firms are operating at core business functionality giving little attention to other services. While Goal Group continues to operate as business as usual, the investor services market will be affected due to the many players and key bodies it relies on, such as judiciaries, etc. It is at unprecedented times like these that custodians and vendors must implement robust business continuity plans to honour their obligations and protect the assets of the underlying investors.

In the Asia Pacific region, what market is showing the most activity?

Hong Kong, Japan, Singapore, and also China, because of its huge growth, show the most activity in the Asia Pacific region. There has been an increase in class action participation across the board. Investors are participating in more and more cases as a form of governance to improve accountability and influence change in the way companies they have invested in operate. It is becoming more and more popular and acceptable to seek remediation and accountability through securities litigation.

With an ever-increasing focus on economic, social and governance (ESG), with attention to corporate governance and leadership, investors are becoming more and more active. When things go wrong, investors want companies to take responsibility for their actions and be more accountable. If there is no accountability then there is no trust. This is why there has been a steady increase in opting into securities class actions.

With the increase of growth in Australia over the past few years, the number and value of cases have grown exponentially.

What would you say the biggest challenges are in the market right now?

The current biggest challenge is the current pandemic and how business and investors are equipped to operate and continue as business as usual in such a market. Markets are reliant on many parties to operate functionally to ensure fluidity in such times. In the investor services environment, which is also governed by regulators, governments and financial bodies, continuity and heightened compliance and risk pressure can add to the vulnerability. Delays in timelines, deadlines and the judiciary will cause disruptions in asset servicing across the globe.

Here is where strong leadership is paramount in any company. Here at Goal, in line with our business continuity policy, we have a dedicated crisis and business recovery team to deal with such a pandemic. We also have processing capabilities and remote systems in operation in three global regions which negate/reduce any risks. We are continuously monitoring the situation and keeping up to date with Governmental advice across all of our regions and taking any necessary action.

Meanwhile, a major issue for participants in the securities class action market in 2020 stems from a judgment recently handed down by the High Court of Australia, which impacts some class actions in Australia that are funded by litigation funders. A majority held that Australian Courts do not have the power to make what is known as a 'common fund order' in the early stages of litigation.

Going forward, based on the current law, the various litigation funders will likely fund new class actions as closed class actions only. To participate in future actions, it is anticipated that investors will be required to sign a litigation funding agreement at the outset.

What is Goal Group currently working on in the Asia Pacific region?

Currently, Goal Group is helping clients during this period, staying open to process claims and being accessible. We have operations in three global jurisdictions and have local and remote servicing teams working 24/6.

As class actions and tax reclamation are fiduciary obligations for super, industry and institutional investors, we have seen a huge increase in participation also due to disclosure, ESG and fund reporting requirements. This is driven by the increasing voice on corporate governance and stewardship matters, and the call for more transparent and integrative financial reporting. In a world where investors have a voice, and where transparency prevails, securities litigation is on the rise.

Investors now demand more accountability, and at the moment the spotlight is on governance and leadership, and how companies navigate turbulence and their approach to sustainability.

"Today, more than ever, we need humanity and pragmatism to sail through these stormy waters. Businesses have become creative in finding solutions to the current pandemic"

What were the drivers behind the relocation of Goal Group to the CBD in Melbourne? And how will this relocation help the business?

This move is to make the company more accessible to the many investors it serves in Australia, New Zealand and also be more connected to our clients in the Asia Pacific region as a whole.

Melbourne is home to many investor, industry and super funds, and it is frequented by asset managers and investor service providers from the Asia Pacific and global market. Our focus is to build our client service capacity and develop our solutions to tailor to a diverse range of investors.

Being in the CBD at a prime location helps to be accessible to clients. The new offices are housed in a prestigious A-grade building which has state of the art facilities and of course, this attracts top talent which is necessary for our expansion in the Asia Pacific market.

Looking ahead, what do you think will be the big talking points of 2020?

Today, more than ever, we need humanity and pragmatism to sail through these stormy waters. Businesses have become creative in finding solutions to the current pandemic. Operating as business as usual and being accessible in the current climate is necessary to service investor clients. Adjusting to the disruption and dealing with the complexities laid out by every system of operation is paramount is providing continuous service.

Strong leadership and reinforced accountability are principal to ensuring we do the right thing for our investors, stakeholders and our communities at large. Our economies are hurting and our communities are at risk. Now more than ever, we need to be sympathetic, agile and robust.

Head above water

Maddie Saghir reports

Financial institutions have been working hard to keep their heads above water since the financial crisis, but in recent weeks, the COVID-19 pandemic has brought a gigantic wave of challenges ashore

With over 500,000 cases confirmed worldwide, and more than 20,000 lives taken, the COVID-19 pandemic has certainly rocked the globe – with most countries still not hitting the peak crisis stage.

COVID-19 has had detrimental effects on many markets around the world, and the financial services industry is one of many that will have a range of challenges to tackle because of the disruption caused by the pandemic.

The current situation in terms of financial markets has been compared to the financial crisis of 2007/2008, which caused major challenges. The markets were operating in opaque environments, however, since then the industry has worked alongside regulators to become more transparent.

In asset servicing, in order to aid transparency, the industry has seen waves of regulation including the European Market Infrastructure Regulation and the first and second Markets in Financial Instruments Directive. There are also upcoming regulations such as the Securities Financing Transactions Regulation, that has now, in light of the current pandemic, been puhsed back from an April go-live date to July.

Prior to COVID-19 national lockdowns in the UK, Spain, Italy, the US along with many others, industry experts discussed challenges within the asset servicing industry, with cost pressure being named as one of the most prominent.

Money, money, money

Post the 2008 financial crisis, the renewed focus on regulation meant that firms invested heavily into their risk management, compliance and technology infrastructures.

Dipesh Khira, principal consultant at Capco, explains that as a result, "keeping costs down has proved a significant challenge as they have sought to ensure compliance, enhance their competitive edge and retain investor confidence".

Indeed, becoming more transparent as a result of the financial crisis is coming at its cost. Some of these costs stem from financial institutions implementing heavyweight technology to cope with the amount of data that is required for reporting obligations, as an example.

Emphasising on this point, Daniela Klasen-Martin, group head of ManCo Services at Crestbridge, notes that as there is a major focus on technology delivery and data architecture to enhance the client offering as well as to improve control and efficiency, this has resulted in increased costs in the short term that only sizable players can cover for.

Clive Bellows, head of global fund services, Europe Middle East and Africa at Northern Trust, explains: "Asset managers have faced challenges in generating alpha, resulting in some consolidation across the sector. This in turn has put pressure on fees and squeezed margins for asset servicers."

Klasen-Martin adds: "Considerable margin pressure as asset managers are challenged to decrease total expense ratios, has compelled asset servicers to review their operating models, look for organisational efficiencies and new technologies to increase scalability and to protect their own margins."

On route to efficiency

Although cost pressure is one of the negative effects of the crackdown on regulation and transparency since the financial crisis, opportunities have presented themselves, such as increased efficiency.

Klasen-Martin says: "The increasingly complex regulatory environment is in my view offering opportunities for new services such as outsourced risk management and compliance solutions. In particular we have seen players completing their offer of back-office services such as fund accounting and transfer agents with middle to front office services, such as regulatory reporting, risk management services and more complex front office services such as third-party management company solutions. I believe that the latter will continue to develop."

According to Klasen-Martin, as we see increased substance and regulatory requirements for asset managers the need for cost-effective outsourcing solutions such as third party management companies will offer increased opportunities.

Similarly, Northern Trust's Bellows emphasises that regulation continues to be a "key driver in the evolution of the financial services industry".

Although costly, regulation has led the industry to invest in advancing and emerging technologies that have the potential to allow more room for automation, which will allow humans to pursue more creative tasks. Additionally, technology has helped to reduce the number of human errors.

Bellows comments: "A lot of activities which are manual in nature – and therefore more prone to human error – are being automated. And this means we're ahead of client demands and servicing them more efficiently."

"However, as an industry, we need to recognise that emerging technologies also require careful regulation. We welcome carefully considered and timely regulatory changes which will make the market more transparent and efficient."

Also discussing technology, Capco's Khira notes that with robotics process automation and machine learning being increasingly explored, this has fostered a new wave of innovative solutions to address perennial challenges around manual processing, timely reporting, real-time transparency and of course cost management.

Addressing the cost issues, Khira adds: "Investing in new technology solutions may result in a short-term spike in costs, but opens the way for long-term cost savings when executed effectively. However, for new technology to be successful, adoption requires effective change management and core business transformation knowledge."

A clearer view

Although increased regulation brings both challenges and opportunities, has it paid off? Are firms now operating in a more transparent environment since the crisis?

Khira suggests that firms are now more transparent, but "there is still some way to go".

He says: "For instance, MiFID II - whose scope spans equities, fixed income, currencies and commodities - is wide-reaching and highly complex. MiFID II has also expanded its reporting obligations to the buy-side, widening its footprint across the financial services industry."

However, Khira identifies that there is still a lack of harmonisation with jurisdictional nuances and the increasing cost of compliance can place a huge strain on firms presenting challenges to provide complete, accurate and timely reports, suggesting that "transparency cuts both ways".

He explains: "Again, take MiFID II as an example. The regulation went live in January 2018 and the Financial Conduct Authority (FCA) reviews of submitted reports are taking place now, with adjustments to the regulation expected to follow in due course. In the past, a regulator did not have access to a great deal of data when it came to establishing a baseline for regulation and supervision."

"That is rapidly changing, however – for instance, in 2019 the FCA received circa 10 billion MiFID II transaction reports. That data will assist the regulator to reach a far more comprehensive and detailed understanding of market activities, and will thereby be better positioned to impose and enforce its supervisory remit," Khira adds.

In June 2021, the new Prudential Regime for investment firms is set to go live, which according to Khira, is expected to have a significant impact on asset servicers' operations via stricter requirements around capital requirements and remuneration.

Riding out the storm

Aside from regulation, the asset servicing industry has also had other challenges to combat over the past five years, including the persistence of very low or even negative interest rates.

Khira also notes further challenges such as the ongoing evolution of technology, globalised capital markets, margin pressures, economic headwinds, the higher cost of compliance and cybersecurity concerns.

Meanwhile, Klasen-Martin adds: "One of the biggest challenges has been to balance the need of keeping cost efficiencies and offering quality services. Companies have had to review their operating models to seek efficiencies and standardisation while determining the right target clients to achieve good margins."

Looking to the year ahead, industry experts believe that regulatory challenges, data, fees, technology cost, shifting product demand and pressure from the competition will be some of the most prominent challenges — along with the COVID-19 pandemic disruption and challenges also thrown into the mix.

Bellows suggests the use of outsourcing will "evolve in a manner similar to cloud computing where in-house teams are supported with cost-effective and reliable solutions".

He says: "Outsourcing is here to stay and asset managers need to embrace this change."

Focusing on the regulatory challenges, Matthew Johnson, associate director, institutional trade processing, DTCC, highlights that with less than a year to go until the Settlement Discipline Regime (SDR) implementation deadline, custodians are emerging as one of the groups expected to be most significantly affected by the regulation.

"At this stage, the challenge for the custodian community is encouraging their clients to prepare well in advance of the SDR go-live date next February, while communicating the ways their relationships with their clients will likely evolve," Johnson predicts.

Additionally, custodians may need to have challenging conversations with their clients around the allocation of costs. This is because of the financial penalties and potentially expensive buy-in regime which SDR mandates for late settlement, where the buy-side is the cause of inefficiency in the settlement and matching process, according to Johnson.

On a positive note, Johnson suggests that SDR may create new revenue streams for custodians due to the need to provide clients with new services such as enhanced stock borrow/loan facilities, late settlement penalty reconciliations and performance analytics, to help them comply with SDR.

However, with uncertainty around the current COVID-19 pandemic and the impact it will have on worldwide financial markets, the short and long-term priorities of the market will likely adjust to meet the challenges emerging from this current crisis.

Ocorian has bolstered its European capital markets team with the appointment of Abigail Holladay as director of transaction management, based in London.

In her new role, Holladay will manage restructuring transactions across Europe. Holladay, who has 25 years of capital markets experience, has held senior level roles at Law Debenture and Deutsche Bank, with transaction management responsibility across multi-jurisdictional corporate trust products.

Commenting on the appointment, Ocorian managing director for the UK, Alan Booth said: "Abigail Holladay joins us at a time when the world economy is in a high state of flux. The ongoing uncertainty of Brexit and the threat of COVID-19 has already led to an increase in insolvencies and defaults across the travel and retail sectors, in particular. Holladay's knowledge and technical expertise brings increased depth and range to our transaction management team, which will further enhance our best-in-class delivery on restructurings and provide the co-ordination and services our clients need when facing financial difficulty in complex structures."

Holladay commented: "I'm delighted to join Ocorian. The team here has strong credentials and a long-term commitment to delivering superior client service."

The Asset Management Exchange (AMX), an institutional platform for investors and asset managers, has hired Edel Coughlan and Nicola Gerety to join its Irish team.

Based in Cork, Coughlan will focus on advising on the establishment, maintenance and governance of investment funds under the Alternative Investment Fund Managers Directive and UCITS regimes. Coughlan joins from Penhurst Legal Consultants. She has also worked at BNY Mellon AQR, Fidelity and Dillon Eustace during her career.

Elsewhere, Gerety joins the business development team and will be responsible for leading and developing AMX's management company offering and business development in Ireland. In her new role, Gerety will split her time between Dublin and London.

Prior to AMX, Gerety has gained experience in offshore funds at J.P. Morgan and Wellington Management International with a focus on business development and client relationship management of Irish pension funds at AllianceBernstein.

MUFG Investor Services has hired Lizzy Buss as executive director of Europe, Middle East and Africa (EMEA) sales and Cliodhna Murphy as executive director, product development, both will be based in London.

Reporting to Oliver Scully, head of EMEA sales at MUFG Investor Services, Buss will direct the sales and growth of the firm's asset servicing solutions to investors and managers in EMEA.

Buss has 20 years of experience in developing businesses with various roles including prime brokerage, family office, financial service firms and banks.

Meanwhile, Murphy will report to Mike Dickey, global head of product development.

In her new role, she will primarily work on the single manager and fund of hedge fund lines of business in her new role.

Additionally, Murphy will also oversee other areas that span all lines of business including environmental social and governance.

Murphy joins from Man Group, where she worked in various roles including business manager for GLG Credit, head of investment management services and head of investor operations.

Commenting on Buss' appointment, Scully said: "Appointing someone with Lizzy Buss' experience and knowledge of the EMEA markets will further our momentum in driving new sales across all asset classes and product offerings in those regions. Her appointment reflects our commitment to continue expanding in all geographies and providing asset serving solutions to clients around the world."

Dickey noted: "Coming on board with more than 13 years of experience working with hedge funds and fund administrators – with roles across the front and back office – Cliodhna Murphy is well-positioned to support the further development of our platform."

Identitii has appointed John Rayment as the new CEO, while former CEO and co-founder Nick Armstrong takes on the role of chair.

Prior to his new role, Rayment held global board and executive roles with Travelex, where he led the sales and delivery of forex solutions to financial institutions and corporations.

Commenting on his appointment, Rayment said: "Having solved problems for financial institutions across the globe, I understand what Identitii's customers are looking for and how to progress these solutions through the process."

He added: "I'm therefore very optimistic about the future, even in light of the global COVID-19 crisis. To ensure we continue delivering for our existing clients and remain heavily focused on our business development agenda, we are already making significant cost-base reductions."

Additionally, Steve James has joined Identitii's board and the non-executive director.James brings experience working with and in financial services organisations.

He has previously held senior leadership and board positions at multiple public and private organisations, including the Commonwealth Bank of Australia, CommSec, Aston Consulting, Motorcycling Australia and Seer Asset Management.

Identitii stated that James' appointment will bring "valuable insight to the company around investor relations, customer engagement and overall product value, among other things".

The SIX Digital Exchange (SDX) has hired Tim Grant as its new head of business to drive the organisation's next phase of growth.

According to the exchange, Grant's expertise in delivering and operating enterprise-grade distributed ledger solutions for financial services will be key in taking SDX into its next phase.

In his new role, Grant will drive the exchange's aim of building the world's first fully-regulated end-to-end distributed ledger technology (DLT)-based digital asset exchange.

Grant brings with him 20 years of experience in technology and management across institutional capital markets and enterprise blockchain businesses from his time serving senior positions in financial services.

He has previously worked as CEO of the R3 Lab and Research Centre and managing director at UBS O'Connor and UBS Investment Bank.

SDX noted that it is continuing to develop its fully integrated issuance, trading, settlement, and custody infrastructure for digital assets to serve financial institutions across global capital markets.

Thomas Zeeb, head securities and exchanges at SIX Group, and chairperson of SDX, said: "Grant has a comprehensive background in both the new and old worlds of capital markets innovation. This background is an essential prerequisite to successfully lead the development of SDX and to fulfil SIX's growth ambition to build the financial ecosystem of the future."

Grant added: "I am very excited to join the leadership team at SDX as they aim to launch the world's first end-to-end digital exchange."

"The team has already made huge progress and I'm looking forward to contributing my experience and working with our institutional clients around the work to continue the growth and expansion of the next generation of financial market infrastructure."

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