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ESMA confirms preparations for further delay to CSDR

The European Securities and Markets Authority (ESMA) has confirmed it is working on a proposal to possibly delay the entry into force of the Central Securities Depositories Regulation (CSDR) settlement discipline regime until 1 February 2022.

The delay is due to the impact of the ongoing COVID-19 pandemic on the implementation of regulatory projects and IT deliveries by central securities depositories (CSDs) and came as a request from the European Commission.

ESMA's proposal would be an extension to the delay foreseen in the ESMA Final Report on the regulatory technical standards (RTS) on postponing the date of entry into force of the Commission Delegated Regulation (EU) 2018/1229 (RTS on settlement discipline) until 1 February 2021.

It explained that this was endorsed by the European Commission on 8 May 2020 and it is subject to the non-objection of the European Parliament and of the Council until 8 August 2020.

The RTS on settlement discipline cover measures to prevent and address settlement fails including rules for the trade allocation and confirmation process, cash penalties on failed transactions, mandatory buy-ins, and monitoring and reporting settlement fails.

In terms of its next steps, ESMA said it aims to publish the final report on further postponing the date of entry into force of the RTS on settlement discipline by September. Following the endorsement of the RTS by the European Commission, the Commission Delegated Regulation will then be subject to the non-objection of the European Parliament and of the Council.

Commenting on ESMA's proposal, the International Securities Lending Association (ISLA) said: "From an ISLA perspective, we have already shared these recent developments with our CSDR working groups and streams, and will continue to monitor the situation closely as we appreciate the sensitivities around managing further implementation delays for our member firms and the broader industry."

The announcement from ESMA follows Euroclear's recent memo to clients highlighting that ESMA is expected to publish an amendment proposing the delay to the current February 2021 deadline, after the summer holiday period.

Of the proposed delay, Paul Baybutt, senior product manager at HSBC Securities Services, said: "While a level of uncertainty will continue until the proposal is approved, a further delay would be welcomed by the industry, giving more time to address the open issues and ensure the effective implementation of the regulation.

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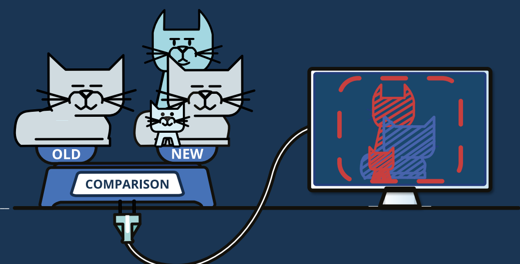

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Industry 'weathered the storm' of COVID-19 better than in previous dislocations

Overall the asset servicing industry has "weathered the storm" better in the COVID-19 crisis than prior dislocations, but volatility once again brought about similar challenges on investment managers' treasury functions, according to a new report from Northern Trust Alternative Fund Services (NTAFS) and Hazeltree. The report, which investigates the impact of the ongoing COVID-19 pandemic on alternative asset managers, explained that in order to combat new concerns faced by investors, it is important to have robust processes and technology in place to manage cash, liquidity and collateral in the work from home operating model.

It also recommended measures to ease procedures, such as centralised automation and monitoring of all cash movements processes, systematic authentication for wire activities, and full audit trail tracking of all cash movements.

Particularly, it was noted that fund managers must have the necessary teams to manage and control new challenges to the treasury, such as increased cyber attacks on cash/wire movements, increased margins calls and disputed market valuations, and monitoring of unencumbered cash.

The report advised asset management firms minimise their exposure by imposing limits on how much cash can be maintained by any one counterparty, as well as implementing technology to manage cash positions, eliminate reliance on manual spreadsheets, and reduce the risk of human error.

Additionally, it highlighted that the ongoing COVID-19 pandemic is not yet over and investment managers should take action to ensure that their treasury teams are effective for this or future challenges with improved automation and capabilities for decision making.

Peter Sanchez, head of alternative fund and Omnium business services at Northern Trust, commented: "Asset managers faced pressure beginning in March, not only from market volatility, but also from needing to execute on critical operational functions in a work-from-home environment."

"The challenges highlight the importance for alternative fund managers to have the scalability, security and systems to operationally manage such a crisis – whether in-house or through a partnership with a fund administrator."

SmartStream launches liquidity stress test module

SmartStream Technologies has launched an intraday liquidity stress testing module as part of its transaction lifecycle management (TLM) cash and liquidity management product suite.

The module, available as either standalone or via the cloud, will reduce the time of carrying out a stress test from up to eight weeks to minutes, which will improve the efficiency of scenarios, reporting, and risk analysis.

The research was commissioned by SmartStream from management consultancy firm Baringa Partners.

The report cited that if a bank could cut its liquidity buffer by $6 billion, it could save up to $50 million per year. Therefore, there is a distinct need for banks to carry out stress tests to both improve efficiency and reduce operational effort in order to meet regulatory requirements.

Nadeem Shamim, head of cash and liquidity at SmartStream, commented: "The research carried out by Baringa Partners in conjunction with the development of our new module has created a great deal of interest in the market."

"The current turmoil in the market has had a big impact on a bank's liquidity, so the ability to model the potential impact of such occurrences is no longer simply a regulatory box-ticking exercise, but a matter of self-protection and even of survival for many financial institutions."

Simon Gray, director of Baringa Partners, added: "The research identifies that it is no longer about meeting intraday liquidity reporting requirements. Banks are now seeing value in stress testing and having the tools to carry out complex

scenarios with a high degree of accuracy for making more informed decisions."

"In addition, the findings revealed that it has gone from being a regulatory burden to creating a stringent, active framework within which to manage liquidity risk. By simplifying the complex and time-consuming testing process, SmartStream's solution allows banks to run a variety of stress scenarios in a short space of time, which is critical."

OCC gives green light on cryptocurrency custody services

The Office of the Comptroller of the Currency (OCC) has declared that national banks and federal savings associations have the authority to provide cryptocurrency custody services to their clients.

Although the OCC has recognised safekeeping services for digital assets since 1998, the letter clarifies the provision of specific cryptocurrency custody services as a modern form of traditional bank activities related to custody services.

In the environment of increasingly digitised financial markets, the OCC acknowledged the need for banks and other service providers to leverage new technology in order to meet clients' needs.

The formal opinion is consistent with several states that have already authorised state banks and trust companies to provide these functions.

Brian Brooks, acting comptroller of the currency at the OCC, explained: "This opinion clarifies that banks can continue satisfying their customers' needs for safeguarding their most valuable assets, which today for tens of millions of Americans includes cryptocurrency."

Commenting on the authorisation, Robert Cooper, CEO of Digivault, added: "This announcement signifies a real acceleration in the embrace of the digital asset class and the value of digital currency solutions. Not only does this represent seismic development for crypto holders in the US, but echoes a broader trend regarding the acceptance of digital assets amongst global regulators. With tokenised securities also emerging across many sectors as a more efficient and liquid means of asset ownership, regulators across the globe are taking proactive steps to building a strong regulatory environment to support their growth."

Northern Trust sees assets under custody increase for Q2

Northern Trust has reported a 7 percent year-on-year growth in assets under custody and/or administration to $12.1 trillion, according to its Q2 2020 figures.

Of this, assets in wealth management made up $751.2 billion, marking an 8 percent increase compared to Q2 2019.

The asset servicing and investment management firm similarly reported a year-on-year 7 percent rise in assets under management to $1.25 trillion.

Northern Trust noted that new business has caused higher investment management fees, as well as higher spreads contributing to a growth in securities lending fees.

However, it was also acknowledged that unfavourable lagged markets had caused a decline in custody and fund administration fees.

Michael O'Grady, chairman and CEO of Northern Trust, commented: "We continue to focus on serving the needs of our clients, the communities of which we are a part and our employees as we navigate the ongoing COVID-19 pandemic and related environment."

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"As a part of this effort, during Q2 2020 we announced a commitment to provide $20 million over 5 years to expand access to resources that address essential human needs, including food, housing, healthcare and education, to bridge the gap that threatens the broader prosperity of our society."

"We will continue to work closely with the communities we serve through philanthropic contributions, community investments and employee volunteer service," O'Grady concluded.

BNY Mellon gets green light on new Saudi Arabia office

BNY Mellon has received authorisation from the Saudi Arabia Capital Market Authority board of commissioners to conduct custody activities in the country.

The authorisation will see BNY Mellon open a new office located in Riyadh.

Speaking to Asset Servicing Times on the approval, BNY Mellon said: "This is an exciting first step to establishing operations in the Kingdom of Saudi Arabia given the significance of the country to the G20 economy, as a centre of capital markets in the region, and home to some of our most sophisticated institutional clients and new opportunities."

The new office opening is in addition to the bank's Dubai International Financial Centre branch office and a representative office in the Abu Dhabi Global Market. It also has representative offices in Lebanon and Egypt. BNY Mellon was recently selected as custodian for Chimera Capital's exchange-traded fund (ETF) tracking index, the first of its kind in the United Arab Emirates.

Anthony Habis, head of Middle East and Africa at BNY Mellon, added: "We are honoured that Chimera Capital has appointed BNY Mellon as global custodian for this innovative new fund, which is not only the first Securities and Commodities Authority (SCA) umbrella fund, but the first SCA ETF."

Raiffeisenbank joins Astana International Exchange CSD

Raiffeisenbank has become a participant of the Astana International Exchange Central Securities Depositories (AIX CSD), allowing international institutional investors to hold their assets at the CSD under the bank's custody.

For a range of securities, Raiffeisenbank offers a multi-market approach for centralised and effective post-trade safekeeping of assets around the world.

The cooperation with Raiffeisenbank will help AIX clients meet standardised legal and operational framework while optimising and simplifying network management and alleviating operational risks in a fast-growing market.

Evgenia Klimova, head of custody, Raiffeisenbank, said: "We are glad to become the first international participant of AIX which has proven the efficiency of its business model in a short period of time."

Klimova added: "AIX is a platform which is widely respected by investors. Thanks to cooperation with AIX, now Raiffeisenbank covers Kazakhstan's

market fully and performs as the hub for RBI Group in the context of holding assets in one of the key regions of CIS."

Anna Kolesnichenko, CEO of AIX CSD, commented: "Raiffeisenbank, a tier-1 custodian within the CIS region, now joining the AIX CSD means that frontier and emerging markets funds will have a trusted custodian to safekeep their cash and securities within our CSD."

AIX was formed in 2017 within the Astana International Financial Centre development framework. AIX shareholders are AIFC, Goldman Sachs, the Shanghai stock exchange, the Silk Road Fund, and NASDAQ, which also provides the AIX trading platform.

Xignite and SIX partner over real-time market data catalogue feed

Xignite has partnered with SIX to provide a real-time data catalogue that includes over 1,800 global exchanges and trading venues through the Xignite Enterprise Microservices.

The microservices, launched earlier this month, are a suite of market data management services that help large financial institutions and fintechs migrate their data to the cloud.

As a provider of market data distribution and management solutions, Xignite's cloud solution currently serves over 12 billion application programming interface (API) calls per day, making it the largest cloud API platform in capital markets.

SIX offers a market data feed (MDF) of consolidated, standardised global capital markets information in real time across all asset classes from thousands of exchanges, over-the-counter markets, and other trading platforms.

Citi enhances securities services settlements in Hong Kong

Citi has launched a proprietary solution using bot technology to offer securities services clients in Hong Kong real-time processing for matching and settlement.

By leveraging straight-through processing, the solution will also allow clients to consistently view their trade status and activate stock borrowing in an efficient manner, rather than performing manual queries that have leeway for operational errors.

The use of bot technology extracts data from the clearinghouse and depositary system in Hong Kong, and transfers it in real time to Citi's custody system.

Aashish Mishra, head of direct custody and clearing (DCC), Asia Pacific, Citi, commented: "This new capability will also feed into our data platform, and automatically benefit clients using our data and application programming interface offering. Our data strategy seeks to improve real time integration with client systems and drive efficiency gains. Online data dissemination and reporting is a key part of that."

Bryan Murphy, global head of sales, DCC and intermediaries client coverage at Citi, added: "We are very pleased to roll out this innovative service in Hong Kong, which is strategically one of the most important markets for both Citi securities services and its clients."

In the partnership, the combined solution of the MDF feed and Enterprise Microservices will deploy collocation facilities to clients' own cloud accounts.

Stephane Dubois, founder and CEO of Xignite, explained: "Large financial institutions have been looking for cloud-native market data solutions capable of handling their broad coverage requirements and offering a state-of-the-art customer experience."

"The ongoing COVID-19 pandemic has worsened the situation as firms want to get away from maintaining complex and expensive on-premise infrastructures. Xignite is a great leap for SIX in making its market data easily available to all buy-side and sell-side professionals."

"While making the richness, depth and wide coverage of our MDF available via Xignite's cloud-based solution, we offer clients streamlined access to the highest quality data without a complicated acquisition process, burdensome integration or costly development."

NatWest continues fund partnership with Ardian

NatWest Trustee and Depositary Services will continue its partnership with Ardian over fund depositary services in the UK and Luxembourg.

The range of funds include ASF VIII, the eighth-generation secondaries platform that recently closed on $19 billion as the largest global secondaries market vehicle.

Private investment house Ardian's fund of funds platform currently holds $53 billion in assets under management, with exposure to over 10,000 portfolio companies through 1,600 underlying funds.

In the partnership, NatWest Trustee and Depositary Services acts as trustee for over $10 billion net asset value across Ardian's secondaries fund of funds portfolio and private equity funds.

Luke Speakman, assistant director of NatWest Trustee and Depositary Services, commented: "Ardian continues to set the benchmark in the secondaries market.

This recent record breaking fundraise is testament to the hard work and knowledge that Ardian brings to the alternatives market."

"We are delighted to continue acting as trustee for the Ardian fund range and providing our knowledge and experience on behalf of the fund's many investors."

HSBC wins custody mandate to service £43bn in assets

HSBC has been appointed as custodian and fund administrator by ReAssure, the UK life and pensions company.

As part of the deal, HSBC will service £28 billion in assets after ReAssure's £650 million acquisition of 1.1 million closed life insurance policies from Legal & General.

For fund administration, HSBC will oversee ReAssure's shareholder book, which amounts to £15 billion in assets.

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The assets under administration for both mandates comprise fixed income, private debt, interest rate and inflation swaps, global and emerging market equities, as well as cash and gilts.

HSBC has been servicing ReAssure since 2015 with a range of custody, fund administration, tax reporting, life fund accounting, cash management and foreign exchange services.

TelstraSuper reappoints J.P. Morgan as custodian

TelstraSuper, a profit-to-member super fund managing over $21 billion in funds under management for members, has reappointed J.P. Morgan as its full service custodian for another five years. The extension of this mandate follows an evaluation of the market and an assessment of which custodian was best placed to meet the $21 billion fund's increasing strategic needs.

According to Paul Curtin, chief financial officer of TelstraSuper, J.P. Morgan has been a trusted partner during their five year relationship, supporting strategic growth agenda and investment priorities.

Curtin explained: "J.P. Morgan will continue to be a significant strategic partner as TelstraSuper focuses on delivering strong performance outcomes for our members."

Meanwhile, TelstraSuper head of investment operations, Miles Mallick, said: "J.P. Morgan's emphasis on delivering a consistent data model and focus on service delivery were driving factors in their reappointment."

Nadia Schiavon, head of securities services, Australia and New Zealand, J.P. Morgan, commented: "We are delighted that TelstraSuper has reappointed J.P. Morgan as its custodian. We have a long and successful partnership, and look forward to further developing this relationship over the next five years."

Curtin concluded: "Helping our members achieve a financially secure future is our priority and we are confident that J.P. Morgan is well positioned to support us in achieving this."

Maples Group set to enhance fund services via IHS Markit platform

The Maples Group will offer enhanced fund services for private debt and credit funds through integrated IHS Markit loan data feeds.

The data feeds support the automated capture of key data to reduce the operational risks that come from manual processing.

The Maples Group's offering of enhanced fund services is a response to growing pressure on fund managers to outperform targets and generate returns in difficult market conditions, such as low interest rates and increased volatility.

There is particular demand for private debt and credit products, which are complex in their use of leveraged loans, special situations, and distressed debt.

James Perry, head of institutional investor solutions at the Maples Group, explained: "As part of upfront and ongoing operational due diligence, it is critically important for credit funds to be underpinned by a solutions provider who understands the nuances of private debt and credit products, and is able to accurately and effectively provide data aggregation, accounting and reporting services."

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Erik Woodling, managing director, loan platforms, IHS Markit, added: "Through our collaboration, the Maples Group has established a structured data workflow with greater efficiency, cost optimisation and straight-through processing across private debt and credit transactions."

"As private markets continue to grow and evolve, data innovation can enable fund service providers to maintain a competitive advantage and better serve their clients, particularly in syndicated loan and direct lending strategies."

SEI reports see increase in assets under administration for Q2

SEI Investments has reported an 8 percent year-on-year increase to $672.8 billion in assets under administration for Q2 2020.

However, the Q2 results showed that assets under management dipped by 1 percent ($1.8 billion) compared to Q2 2019.

SEI explained that these figures link with an overall decline in revenues from asset management, administration, and distribution fees, which were impacted from the carryover effect of market depreciation in March at the beginning of the COVID-19 pandemic.

It was noted that this was partially offset by increased fees from higher assets under administration, generated from positive cash flows and sales of new business.

SEI also cited an increase in operational expenses, attributable to increased consulting costs in new business opportunities, although offset by a decline in travel expenses as the business model adapted to work from home lockdown measures.

Alfred West Jr, chairman and CEO of SEI, commented: "While financial markets somewhat rebounded during the quarter, we experienced headwinds that impacted our results. Our client engagement was high last quarter, resulting in positive sales activity."

Draft RTS on PRIIPS review did not 'receive support of a qualified majority'

The European Supervisory Authorities (ESAs) have revealed they are not in a position to formally submit draft regulatory technical standards (RTS) to the European Commission to amend the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) Delegated Regulation after it did not receive the support of a qualified majority.

The review follows the launch of the consultation paper which was published on 16 October last year on the draft RTS to amend PRIIPs Delegated Regulation.

A draft final report following the public consultation was submitted to the three boards of supervisors of the ESAs for their approval in June.

The draft RTS was adopted at the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) boards on the basis of qualified majority voting.

However, at the European Insurance and Occupational Pensions Authority Board, although a large number of members agreed with the draft RTS, it did not receive the support of a qualified majority.

In a letter to John Berrigan, directorate-general for financial stability, financial services and capital markets union, the ESAs revealed that those board members who did not support the RTS generally argued that a partial revision of the PRIIPs Delegated Regulation is not appropriate at this stage, prior to a comprehensive review of Regulation (EU) No 1286/2014 as envisaged in Article 33 of the Regulation.

It also found that a number of board members indicated that for investment funds, they would prefer the past performance graph from the UCITS key investor information document to be included in the PRIIPs KID itself, rather than in a separate publication.

The ESAs said they would like to use the letter to "reiterate this point" and explained that they shared the same views.

According to the ESAs, the report contained "balanced and proportionate final proposals, which would allow the ESAs to meet their main policy objectives, while remaining in line with the PRIIPs level 1 framework".

The aims of the review were to address the main regulatory issues that have been identified since the implementation of the key information document (KID), in particular regarding the information on performance and costs, and to allow the appropriate application of the KID by UCITS.

The letter concluded: "In any case, for transparency purposes, we have included the draft final report as an annex to this letter."

"As always, the ESAs remain at your disposal to provide any clarification or discuss the issues further."

It was signed off by José Manuel Campa, chair of EBA; Gabriel Bernardino, chair of EIOPA; and Steven Maijoor, chair of ESMA.

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The custodial chain

Credit Benchmark's Mark Faulkner highlights the challenges around the safekeeping of assets in specialist sub-custodian networks

Can you give us a brief overview of Credit Benchmark's white paper on the interconnectivity and hidden credit risks within the custody market?

It was the second of a series of papers. The foundation of the series is an analysis of the credit risk within the interconnected networks that underpin the financial markets worldwide. The first was about the global network of central clearing counterparties (CCPs), their interconnectedness and that of their membership; this second paper highlights the different types of specialist sub-custodians supporting the global custody networks of the eight largest global custodians.

What challenges do asset owners face when it comes to the safekeeping of their assets?

In most instances they need to outsource the custody of their assets to specialists. Being a custodian – global, regional or national – is a complex and challenging role to fulfil. Over time the market has consolidated significantly and the main challenge for asset owners is the selection of a partner that best fits their needs. An entire industry has grown to help support this critical decision-making process.

What we are effectively saying is that it is now possible to integrate real-world credit risk into this decision-making process, and to ignore credit risk in this process is a mistake. The ability to understand the credit risk of a provider and their sub-custodian network is when a client makes a decision, therefore, to be able to monitor changes over time automatically is a major step forward in practical real-world risk management. We are not saying that clients necessarily have explicit credit risk to particular sub-custodians.

What we are saying is that 'a chain is only as strong as its weakest link' and that 'possession is 9/10th of the law'. We would argue that it is the duty of asset owners and their advisors to understand how strong their custodial chain is and which entity has possession of their assets. Making such important decisions based on the best possible information available is always sensible and prudent.

How does a sub-custodian network operate differently to a global custodian?

The global custodians are powerful, global, consolidating machines that are able to compile and report the information necessary for their clients to receive an accurate and detailed picture of their assets in many different ways.

The role of global custodians is hugely complex and requires a commitment to technology and expertise. This explains the scale of a relatively few players and has driven consolidation within the industry — a trend that has been ongoing for decades. The sub-custodian network players specialise in particular markets or asset classes and send data up to the global custodians.

Why are some sub-custodian entities not rated by main credit rating agencies? Do you think more regulation needs to be implemented around this?

The answer to this question requires an elementary understanding of the credit rating agency's (CRAs) business model. The CRAs operate an 'issuer pays' business model. Their capability to rate entities is therefore driven by that entity's willingness to pay for a rating, which is often driven by their issuance of debt or other securities. The larger CRAs rate about 16,000 entities which in turn issue over two million CRA-rated issues. Some of the sub-custodian entities are not rated by the CRAs because the entities that provide sub-custody services do not pay for a rating as they do not issue debt securities.

The issuer pays model has been under significant regulatory scrutiny since the global financial crisis of 2008. What is needed is the combination of diligent analysis, transparency and curiosity that has driven the creation of real-world, 'skin in the game' credit consensus that can illuminate the debate on credit risk. So, where does one get the necessary credible information? It is not the place of the custodians to share their own credit view of a particular sub-custodian with a curious asset manager or their advisors.

What about doing it yourself? It is an expensive and major undertaking to do the analysis and constantly monitor the credit of sub-custodian's in-house and the resultant proprietary view is based on only one opinion or model's perspective. This is where the data based on the collective aggregated and anoymised real-world risk assessments of many financial institutions, comes in to play.

What are the biggest threats around the security of a firm's assets during volatile times such as the current COVID-19 pandemic?

First and foremost, this is a complex global health crisis. The extent to which financial firms and their effectiveness are impacted and compromised by this crisis is still to be determined. The banks of the world are in much better shape from a capital perspective than they were at the time of the global financial crisis. The regulators should take credit where credit is due for ensuring that this is the case. That being said, not all banks are created equal, which is why it is so important to access the best credit information available and to monitor and be alerted to any deterioration of the entities that safe-keep your assets at all times.

How important is it to monitor creditworthiness and real-world risk as changes occur?

Vital. This newly available data source is updated fortnightly and comes from 40 global banks with their "skin in the game" not one source paid by the company being rated. The ability to monitor changes and be alerted automatically is a game changer.

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A digital revolution

Maddie Saghir reports

The financial services industry is working to catch up with the digital revolution to innovate, modernise, and create a more efficient playing field

As Peter F. Drucker once said: "If you want something new, you have to stop doing something old". Innovation is crucial to the success of any company in the current world. In the financial services industry some say regulation stifles innovation but others disagree.

The asset servicing industry is an innovative one but there are challenges around creating user-friendly platforms and tackling the costs of enhanced technology.

Jennifer Peve, managing director of business innovation, the Depository Trust & Clearing Corporation (DTCC), identifies that distributed ledger technology (DLT) and cloud computing are two examples that have been top-of-mind for many firms, although take-up has been somewhat slow.

"This lag is sometimes due to the fact that many systems that are implemented within firms have a community, and moving that community to a new technology can be time consuming and costly, so the benefits of any new technology implementation have to be compelling," says Peve.

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Innovative trends

Much of the innovation in the industry is coming from enhanced technology solutions. This includes DLT, machine learning, artificial intelligence (AI), cloud computing and natural language processing. As well as this, data-based decision making, real-time and automated platforms are on the cards. DLT technology is an enormous enabler for new and innovative blockchain business models in the financial services industry. Niv Graf, head of service delivery management, Software Daten Service, says: "Given the technology is going to convince customers and users, it will cause fundamental disruption in the industry."

However, Graf explains there is still a long way to go; in the short to mid-term, data-based decision making, legal tech, legal robots, robo-advice and all other kinds of AI-technologies will make the difference.

Weighing in on this, Albert Bauer, managing director, Citco Fund Services, comments: "We live in a post-execution, post-transaction world, so real-time results are relative on the client side. We do have some services that are real-time deployed, but we do not necessarily live in that world. We have seen a huge change in adoption of the cloud in terms of what it can do and how to move our workloads there. It has allowed us to innovate by creating new platforms and transferring some of our old platforms to the cloud."

Bauer continues: "Machine learning and robotic process automation (RPA) are some of the things we have adopted in a big way into a package that we call smart automation. We are trying to help move the business and the users to move from mundane risk patterns to exception-based management. There is very little value in data entry or data transfer between platforms, so we have tried over the last few years to automate all of that, and the RPA technology has made it a lot smarter."

A user-friendly experience

Innovating and creating highly efficient ways of doing things does not come without its challenges. One such challenge is creating a platform that is user friendly. The financial services industry is quite complex, with many systems focusing on one area of automation. Peve says: "Utility-based solutions have broad appeal and have been successfully adopted by many firms."

Elsewhere, Graf highlights that since more people (especially in poor/emerging economies) are and will be using financial services, an easy-to-use user interface/platform is one of the key factors for expanding the client base.

He affirms: "Creating an easy-to-use platform which is understandable for broad sections of the population is definitely a challenge if it should offer more than just 'trivial' financial transactions like simple payment transactions."

Designing user-friendly platforms and interfaces that are easy to use with intuitive navigation is a major challenge in this industry, as investor protection is the top priority.

Graf says: "Easy handling, fast in execution and yet avoiding serious mistakes - that is the challenge to be met. That's why innovation is not the challenge but the solution – the integration of new technological possibilities such as AI helps to successfully meet this ambiguity."

"We are in the centre of a digital revolution in the banking sector that is trying to catch up with other industries that are modernising much faster."

"Creating and designing an innovative, user-friendly platform is by no means an easy job. It is important to have an excellent on-boarding process that does not have a steep learning curve."

He adds: "Users nowadays expect every interaction with a financial institution to be simple and easy. But it shouldn't be so effortless that users can easily make mistakes with their money."

"We need to help them make good decisions and make them feel safe in the workflow, combined with an attractive design."

Potential barriers?

While industry participants are working towards employing enhanced technology in order to innovate, how are startups with potentially new, innovative ideas being welcomed to the industry?

Bauer observes that the industry has become more open to startups, and the barrier to entry has lowered.

"We see new tech startups come into the fold all the time. We need to be mindful of them, as ultimately one of them could have the ability to change the industry in terms of the technologies, platforms and systems that are available out there," says Bauer.

He adds: "Where it is not a core part of our business, so we may not develop it ourselves, we do make the barrier of entry a little bit easier for certain platforms and providers. It is a great place to start for the data to be shared with these partners in the onboarding and testing processes. If it is something we aren't planning to offer or build ourselves, it makes sense to meet with startups and explore their offerings in order to provide more holistic solutions for our clients."

Due to the existing complexity and with many potential global players very well established within the industry the entry barriers seem rather high.

Graf explains that the big players have already realised the speed and agility of new startups to be unmatched and thus many very promising co-operations are being formed. He says: "We believe that these cooperation models with win-win situations for small and big participants will be a key factor for either party in the future as well."

Peve adds: "Size can be a barrier to entry, as well as costs. Any new system needs to be developed to be flexible, based upon a compelling use case. Otherwise, the cost to implement could outweigh the savings that it could bring. Startups may need to partner with incumbents to advance and grow, but the incumbents may not be open to change."

A help or hindrance?

Over the past years, regulation has become more stringent and more complex. At industry conferences, one phrase that is mentioned frequently is "regulation stifles innovation". However, Peve argues that regulation can actually be a driver of innovation. This is as mandates typically do not state the technology or solution required to achieve compliance.

She adds: "Firms can decide the best solution to meet their business needs and achieve regulatory compliance."

Similarly, Bauer states: "I wouldn't say regulation is a hindrance, but it can be a hurdle at times. You have to be mindful of measures like the General Data Protection Regulation in Europe. Some regulators have a more watchful eye than others, and we have had to jump over a few hurdles with some of the regulators in different jurisdictions when transferring to the cloud."

He continues: "So I would not say it has been a hindrance or a barrier, but it certainly makes us think twice and be a bit more mindful in our approach when making the regulators comfortable with our development."

Graf adds: "Further regulation is often solely perceived as a financial burden, but it also fosters standardisation, which finally finds its way to cost saving. As a first step regulatory demands lead to increasing process costs – so process/product/technology innovation is a must to guarantee stable or increasing margins.

Regulation can, therefore, be a chance for innovation and new, 'disruptive' technologies."

> *"We are in the centre of a digital revolution in the banking sector that is trying to catch up with other industries that are modernising much faster"*

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A thriving market

Maddie Saghir reports

In the US funds space, industry experts predict continued growth as well as interest from advisors looking to increase distribution within the US while technological innovation remains key

The fund administration industry has continued its growth momentum in the US. Although there is a lot of competition in fundraising, higher expectations from investors, and challenges related to the ongoing pandemic, there are opportunities to be captured in this space, particularly around utilising technology into processes. Industry experts suggest that there is continued strong interest from advisors based outside of the US looking to launch fund products to increase their distribution within the US.

According to Ryan Burns, head of global fund services, Americas, for Northern Trust, this has picked up considerably following the initial months of the pandemic and covers a number of different fund vehicles. Burns explains that in the US fund administration industry, unregistered funds and partnership structures continue to offer a faster speed-to-market for advisors at a lower cost to launch.

Meanwhile, there is continued interest in US mutual funds. Burns notes that the breadth of different investors that can be supported led Northern Trust to launch the Datum One Series Trust, their second platform vehicle which is a turn-key solution to launch '40 Act mutual funds in the US.

Additionally, collective investment trusts (CITs) continue to be seen as a viable and attractive vehicle for pension investments, with a number of firms looking to leverage this structure to support distribution into this space.

Burns comments: "So while the pandemic slowed a number of initiatives for firms, we are excited to see our clients returning to strategies that address their US distribution goals via new vehicles."

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Trending in America

Looking at the US fund space, Fred Steinberg, managing director, North America, SANNE, observes various trends, including a proliferation of new asset managers trying to raise first-time funds, leading to more competition in fundraising.

He explains that this competition is also leading to existing fund managers looking to expand their product offerings to entice new investors.

Another significant trend has been the greater use of technology within the US fund administration industry.

Jay Peller, managing director, Citco Fund Services, says it has been key to ensuring that administrators have the wherewithal to support the ever increasing level of complexity of a hedge fund's operations and takes many forms.

He says: "It includes tools to capture and price the portfolio in response to increased complexity and trading volumes within the portfolio; data services to meet increasing data requirements from the manager to support their reporting needs; risk, treasury and collateral tools to support additional middle office and back office services; and tools to automate communication with investors and to improve the investor experience."

Meanwhile, front-end reporting has also moved forward and alignment to front-end technology is now essential as managers and investors alike need access to real time data on the go, Peller observes.

Another trend emerging is automation, particularly in the areas of analytics and investor communications.

The pace at which automation is happening continues to accelerate, according to Peller, in terms of data capture, the core engines used for processing and the front-end tools used for reporting.

He says: "Managers and investors expect straight-through reporting solutions and front-end reporting excellence, with real time mobile data on the go."

Automation has been a prominent theme in recent years, Peller explains, and is seen as a trend that will continue to evolve.

Burns also weighs in suggesting that while not a growing trend, Northern Trust continues to hear questions from clients about the potential of accepting US investors into European funds.

He explains that it could be more efficient for some asset managers to utilise a single fund structure for both European and US investors.

However, Burns notes that the execution would be "quite complex and requires a significant amount of advance review and understanding, particularly from a tax perspective".

Burns highlights that, alternatively, Northern Trust continues to see European asset managers looking to expand in the US distribution more broadly.

He says: "This investment into a US-domiciled product may allow firms to bring their investment strategies directly to US investors in a way that supports a strong business case to launch a new fund."

Taking the bitter with the sweet

In terms of the challenges for asset managers in the US, Steinberg says there is still a lot of dry powder from existing funds chasing the same population of investments, leading to more challenges around pricing, although it should help with potential sales.

There are also higher expectations from investors, especially institutional partners, which is coming up in upfront due diligence requests and ongoing reporting needs, according to Steinberg.

Elsewhere, Peller notes that a key challenge for Citco's clients is how to manage the increased flow of investor communications in a remote working environment.

Both investment managers and investors want to continue receiving the information they need to help them make the right decisions, which Peller explains is even more crucial during this period of uncertainty.

COVID-19 has forced many people to work from home, with this theme still ongoing. Peller explains that the move to remote working also revealed that some managers were seeing issues with cash management due to expired usernames, passwords and tokens to banking portals.

He says: "We had previously recognised the need amongst clients to replace slow and inefficient manual processing with immediate assurance that important payments have correctly occurred. We have also seen managers facing some heightened difficulties around managing increased trading volumes, reconciliations, collateral management and over the counter settlement."

Additionally, Steinberg stipulates that the COVID-19 pandemic has led to greater challenges around liquidity (distributing cash to investors) as asset managers do not want to sell their investments into a down market.

"Portfolio companies may be having their own liquidity challenges that work their way back to the asset managers, potentially increasing the need for leverage at the fund level. Depending on the asset type, there may be more challenges to determining proper valuations in the current environment," Steinberg comments.

Meanwhile, Burns also notes that increasing costs and shrinking fee margins are some of the challenges asset managers in the US are facing.

As the associated costs increase, so does the pressure to be more efficient and focused on their spending on technology, data, and staff, according to Burns.

He continues: "The firms that are finding success are able to balance their growth while also reducing costs by leveraging new technology and outsourcing solutions to enhance operational efficiencies. This may allow asset managers to focus on core functions such as idea generation and portfolio construction while realising benefits of digitisation and scalability."

"However, by utilising a combination of new technology, and outsourcing non-core activities like trade execution or middle-office, firms are better positioned to improve their investment process and scale their operating models to greater efficiency," Burns comments.

Despite challenges such as increasing costs, change to regulation, and the turmoil of the unprecedented ongoing pandemic, the US also has some opportunities on the horizon that can position it for further growth. Technological innovation is an area where the US can hope to capture further opportunities.

Peller expects the future to continue to be about automation, data and more streamlined communications. He also explains that providing golden copy data to an investment manager, when and how they need it in a form that is reconciled and sufficiently enriched with other third-party data will continue to be "the holy grail".

Meanwhile, further reducing the manual element of the subscription and redemption process is also in the near future, according to Peller, "this is as we continue to build on the exciting technologies that are in place today".

"There is no reason that an alternative fund manager cannot have an online application form covering their entire fund product suite, which an investor can complete at the outset of a client relationship and then all other transactions can be straightforward. Excellence in technology will continue to be a non-negotiable requirement both now and into the future," he adds.

All hands on deck

So with the opportunities nestled in among various challenges, how can we expect this space to develop over the next 12 months?

At Northern Trust, Burns says they expect to see continued growth in the US funds market, with clients focused on having the right product lineup and the right operating models in place to meet the continuing cost pressures, regulatory changes and investor demands.

Burns outlines: "We do not expect the market and operating model for our clients to remain static, rather we expect the demands for data and transparency from both regulators and investors to continue to increase."

Elsewhere, he predicts the trend of outsourcing non-core activities will continue with asset managers looking to partner with service providers like Northern Trust to operate more efficiently and to better utilise their resources to focus on core activities of the investment process.

Burns adds: "Outsourcing of middle-office services continues to generate high levels of interest and the next wave of outsourcing, trade execution, is on the radar for a number of asset management firms. The ability to reduce direct costs of staff and technology through these outsourcing services to a firm like Northern Trust will allow asset managers to continue to focus their spend on the activities that provide the most return and increased distribution into the US fund lineup will benefit."

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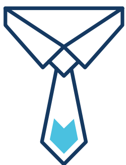

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A gold mine of data

With the asset servicing industry consisting of an abundance of information, reference data is becoming increasingly important and is being made available to other beneficial users

Maddie Saghir reports

Data has a wide variety of use cases; it allows organisations to more effectively determine the cause of problems and it has the ability to allow organisations to visualise relationships between what is happening in different locations, departments, and systems.

Reference data is an important part of the asset servicing industry, however, challenges can occur when processes are manual. Technological intervention and automated processes are paving the way to create more efficiencies in this space.

Riccardo Lamanna, head of State Street Global Exchange, Europe, Middle East and Africa, explains that reference data is usually referred to as static information related to securities, counterparts, issuers, or a combination of those. Asset servicing industry participants are users of reference data in their usual processes, from fund administration to risk management to performance services. However, Lamanna suggests that the industry is "progressively becoming a very important vehicle through which reference data is being made available to other beneficial users, such as its clients, as well as becoming a provider of reference data itself".

Whenever a trader is executing a trade, counterparty and security identifiers are required. Neill Vanlint, managing director of global sales and client operations at GoldenSource, adds that this counterparty and security information is what the industry means by reference data.

Vanlint says that for asset services, consistent data utilised across systems is "of paramount importance". He also highlights that custody services would be "impossible to manage" without reference data.

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Affirming its importance, Yann Bloch, vice president of product management at NeoXam, stresses that reference data is the foundation which the rest of the data management processes rely on.

Reference data encompasses generic data domains, such as currencies, exchanges, countries and business day calendars. In the context of asset servicing, it extends to securities terms and conditions, entities (or parties), portfolios, accounts, clients, products, etc.

Bloch notes that even though data does not change often, "it is growing in scope, volume, complexity and importance".

The scope of data will continue to grow as financial institutions tend to diversify their assets. For example, moving into alternative assets comes with its share of new types of reference data to manage.

Bloch says: "With consolidation in the banking and asset management sectors, the volume of data has mechanically grown, in terms of the number of clients and products for example. Regulation, such as the Securities Financing Transactions Regulation (SFTR), the second Markets in Financial Instruments Directive (MiFID II) or the Fundamental Review of the Trading Book (FRTB), also mandates more complex data. Hence, dependable reference data is becoming more and more critical for regulatory compliance and business decision-making."

A ripple effect

As industry experts have suggested, correct reference data is crucially important to businesses and it is critical to making sure data is as accurate as possible, but this is difficult to do without automated processes. Working in any large financial institution, there are multiple lines of business, such as consumer banking, corporate banking, asset management, asset servicing, and asset lending. Across these business units, you have to report on your balance sheet your assets, liabilities, counterparties, deposits, liquidity and capital positions.

Harry Chopra, chief client officer at Axiom SL, says: "You must have clean sets of data that reconcile across the multiple schedules. For instance, counterparty and securities exposures should line up on the balance sheet and individual reporting schedules. Also, all of these organisations are trying to price risk based on insight from this data – and if the data is wrong, there are huge consequences."

Some of the main challenges arise when reference data is passed along through a manual process, either from the custodian to an investment manager or from an investment manager to a broker dealer, according to DTCC's executive director, institutional trade processing product management, Bill Meenaghan.

Each step carries manual processing risk which can be eliminated by using an automated process, according to Meenaghan. He says: "Manual processes also don't usually have any standards which may lead to a counterparty interpreting the data incorrectly, thus increasing the risk of trade failure."

However, reference data management needs to be seen as an organisation-wide effort. Bloch highlights: "It cannot be the initiative of just one department, since reference data involves multiple IT, compliance and risk teams, as it is being sourced, transformed, cleansed, stored and consumed. A successful approach of reference data management works when people, processes and technology are aligned in delivering a well-identified objective."

Protocols in place

When it comes to the type of protocols in place to enable secure data transfer between counterparties, AxiomSL's Chopra says: "We took it upon ourselves to create a cloud-based service for our product, which took us a couple of years to figure out. We were granted ISO 20001 certification, which is difficult to get for providing a service, as well as ISO 27017. We found that you must have key management in the process."

According to Chopra, this process works with a set of encrypted keys that allow you to make sure that when data is moving from one organisation to another, and accessing secured cloud facilities, it is encrypted and arrives at the correct end points. He notes: "That worked well, and we now have multiple financial institutions of asset managers and banks that use the service."

The industry has been relying a lot on established protocols such as SWIFT or FIX; essentially, any types of files exchanged over Secure FTP servers are commonplace. But in the last few years, Bloch says NeoXam has observed an increased adoption of blockchain-based protocols, although he notes "it would be a stretch to say that we've reached the mainstream stage yet".

Simplifying the process

While it is very difficult to find and agree on industry-wide solutions that would make reference data easier to manage for industry participants, Lamanna argues that data management solutions are an important factor.

Industry participants can outsource a significant part of their data management, and when linked to reference data, service providers can deliver solid security master file management, saving significant resources and effort in areas such as reconciliations, manual interventions to overwrite wrong information and classification, according to Lamanna.

"Clients can then focus on their core business processes: asset allocation, investment activity and distribution of products," he adds.

In terms of how to simplify the process to make the data easier to manage, Lamanna notes that data management outsourcing is certainly a way to help at the level of each market participant.

However, Lamanna explains that this must be based on a solid platform that can easily operate with multiple providers which inject data, and use applications that consume and in turn enrich that data.

Weighing in on this, Meenaghan says: "Where possible, reference data should be electronically managed by the source in a centralised database. That database should enrich transaction systems directly."

"Transaction systems should also agree with what place of settlement (PSET) should be used to ensure the correct standing settlement instructions is selected."

Meanwhile, Vanlint comments: "The biggest favour that financial institutions can do themselves, to navigate the current compliance minefield, is to ensure that all their reference data is managed in one c entralised repository."

The average firm has multiple different sources of data and this kind of disparity is impossible to sustain as "markets become increasingly complex and as merger and acquisition results in the need to fold one firm's data architecture into another's", according to Vanlint.

Vanlint adds: "Firms that do not want to get caught out have to be confident that they can answer any challenges from the regulator or events in the market, so scrambling to compile piecemeal data is simply not an option. You need to know where all the necessary information is, which is why a central source is so important."

Standardising data

Creating standardisation when it comes to reference data is something that the industry is moving towards, as it will help simplify the process. Chopra exclaims: "This idea of entities, industries, and sectors marks that we are making huge progress. Granted, there are three or four different standards but at least it's not 50."

However, there is still a little way to go on issuer relationships on the fixed income side of things, but Chopra notes that this is "not a massive problem".

He says: "Trading is a little difficult because there are so many trading systems and so many exchanges, but it is a manageable problem."

Also agreeing that a standardised approach could make life easier for market participants, State Street's Lamanna cites: "Any effort aiming to standardise reference data structures will make it easier for market participants and data management providers to deliver consistent and significant data which eliminates duplication, inconsistencies and reconciliation activities."

However, Lamanna cautions that data users will always face challenges from their internal applications and processes when integrating reference data until they decouple data from those processes in favour of a solid data management infrastructure.

Chopra concludes: "The asset servicing industry sits upon a wealth of data, including the legal entity structure, investor managers, and trading positions. There is a unique opportunity to help these organisations with their global shareholding disclosure ownership."

"That would be a very good way to think about where the asset servicing industry could go next by helping their clients to manage this particular regulatory reporting exposure."

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Director, product and profitability, middle office, RBC Investor & Treasury Services

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Product manager, investor services, large corporates and financial institutions, SEB

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How will CSDR impact custody markets?

Daniel Carpenter: With both the buy-side and sell-side looking to their custodians to help them navigate the new rules, their level of preparedness is key. The custody arms of many global houses were among the first to engage with Meritsoft with regards to their CSDR project plans and our solution. Having a working platform that can handle the data and communication challenges well ahead of the implementation date is of paramount importance to them, and to their clients, in order to comply with the new regulatory requirements.

Paul Baybutt: The Central Securities Depository Regulation (CSDR) will have one of the most significant impacts on the settlement of securities since dematerialisation.

The introduction of penalties and mandatory buy-ins will not only impact the liquidity of the assets settling in European central securities depositories (CSDs), but will introduce significant operational changes to implement them. Firms unaccustomed to buy-ins will now not only be forced to pay more attention to settlement, but will also need to have processes to enact buy-ins when mandated.

Christine Strandberg: So far the direct impact of CSDR on the overall custodian community has been fairly limited. To the extent that CSDs have been required to perform substantial changes to adapt to CSDR, sub/local custodians have definitely been required to also perform corresponding system changes. But before the implementation of penalties and buy-ins, custodians could in many respects choose not to implement support for some or even all new functionality/services. This will now change.

As penalties will be both debits and credits, custodians must be able to report and forward them.

“With both the buy-side and sell-side looking to their custodians to help them navigate the new rules, their level of preparedness is key”

Daniel Carpenter, head of regulation at Meritsoft, a Cognizant company

"So far the direct impact of CSDR on the overall custodian community has been fairly limited. To the extent that CSDs have been required to perform substantial changes to adapt to CSDR, sub/local custodians have definitely been required to also perform corresponding system changes"

Christine Strandberg

As clients will surely wish to limit their exposure, custodians need to offer functionality that will enable straight-through processing (STP) of instructions and cancellations, especially when it comes to matching, as well as ensuring as high settlement rate as possible.

Many long-term effects of the regulation are still not visible and whether or not the desired competitive effects will play in is doubtful while the jury still is out on the robustness and stability effects.

Karan Kapoor: CSDR impacts all market participants within the securities trading value chain, specifically direct CSD participants. Custody services providers are an integral part of this market, hence, will play a major role in ensuring that the CSDR regulation in its entirety is able to achieve its key objective of improving the efficiency of the market.

Custodians have been impacted not only by the recent infamous settlement discipline regime of CSDR but also by many key requirements of the regulation such as daily reconciliation, segregation and disclosures, as well as settlement internalisation, which went live in July 2019.

Looking forward, all European custodians will need to – if not already – prepare for the impacts of the settlement discipline regime, from not only the perspective of reaching compliance in isolation but from the wider industry and their client perspective in order to help the market become more efficient.

As a minimum requirement and as direct CSD participants, custodians will have the responsibility to ensure their clients efficiently and accurately receive all incoming penalty information so that the cash penalty rule can be enforced.

Custodians also will play a part in the mandatory buy-in regime by ensuring failing transactions are put on hold, released or partially settled in line with the regulatory requirements. Custodians may also be required to support the enforcement of the allocation and confirmation requirements by ensuring that their clients adhere to the revised settlement instruction format.

However, many custodians are viewing this as an opportunity to provide more value-added services. Instead of just being a passthrough mechanism of information coming from the CSD network, custodians can actively support their clients to meet the obligations of the regulation.

Providing targeted and enhanced fails information, proactively helping clients avoid settlement failure and actively participating in the workflow for fails remediation are only some examples of value added CSDR services we've seen developing across the industry.

The more ambitious service providers are considering inventory and collateral management agendas, depot management or even executing buy-in transactions as agents to their clients.

This is also an opportunity for custodians to enforce better settlement behaviour across their client network.

This is fuelled by the fact that CSDs will report their top 10 failing participants to national competent authorities (NCAs) and custodians will have to face the direct consequence of this, as they will be blamed for their clients' shortcomings as the intermediary.

Every custody service provider is impacted by CSDR. How each market participant chooses to respond will impact its market position in the years to come.

"Custodians have been impacted not only by the recent infamous settlement discipline regime of CSDR but also by many key requirements of the regulation such daily reconciliation, segregation and disclosures as well settlement internalisation, which went live in July 2019"

Karan Kapoor

What are the biggest challenges around the regulation and why are there particular concerns around the mandatory buy-ins process?

Baybutt: The biggest challenge around the regulation is how it should be interpreted. The industry needs the regulator and European Commission to provide clarity on how the regulation should be applied. There have been different interpretations of the level 1 and level 2 text and these interpretations need to be ascertained so that firms can implement the regulation as it was intended.

Pardeep Cassells: The regulation is opening the market up to many unknowns and to the introduction of processes that are new to these markets. The core challenges, from conversations we've had with market participants, are around managing increasingly complex workflow and trying to do this efficiently. The notification and data requirements require a significant amount of coordination and collaboration across the market so finding the right way to manage this is key. Although buy-ins are not entirely unfamiliar territory for participants, the approach that CSDR mandates is certainly novel for the region. Concerns around this process include the complexity of confirming eligibility (and parameters thereof), timing, potential volume, cost, lack of confirmed buy-in agents, sourcing of securities, complexity on the 'pass on' scenario, inconsistencies and lack of clarity in some regulatory aspects and finally, the potential for organisations to resort to manual processing and create manual effort for counterparts and stakeholders.

Christine Strandberg, product manager, investor services, large corporates and financial institutions, SEB

Strandberg: As a sub/local custodian, the main challenge of the penalties regime has so far been the uncertainty – what will CSDs deliver to us, what are we to deliver to our clients, what will the market practice be, when can we perform testing, when can our clients perform testing, etc. For a global custodian, this is only magnified; the difficulties increase substantially the more providers you have. The mandatory buy-in process is primarily an issue for the trading side. Custodians are required to pass on information and instructions, but as we are otherwise not involved, the main concern for everyone is the potential impact on liquidity in the market if it is not possible to pass on buy-ins to the next party in the transaction chain, and instead perform buy-in for each individual settlement transaction.

Carpenter: There are major concerns around the mandatory buy-in process, particularly for the tier-one banks. Under the buy-in rules, what is deemed a liquid security is due to be settled after four days, while an illiquid security needs to be settled after seven. But how does a firm agree what is liquid and what is illiquid? Firms will have to reevaluate the security every day that the price falls based on their data feeds. This highlights the heightened importance of a joint market view to underpin these assessments by individual houses.

Investment, brokerage and custodian banks will now face a huge strain from an operations and associated cost perspective with all the necessary compliance data, processing, and penalties. They will need to consume and provide data, as well as calculate fees, on not only a daily basis, but also an intra-day basis. This will bring about significant changes in how investment banks manage

the pre-matching and associated settlement activities. With no standard market practice for dealing with this issue, market participants will need to try and figure out a way to share information around penalties and buy-ins. For investment and custodian banks, the costs of generating potential buy-in notifications and validations could be far greater than they initially thought.

Kapoor: Uncertainty, lack of precise clarity around key requirements and market infrastructure preparedness are the key issues that the industry is trying to work around.

At this point, it is public knowledge that key industry bodies are lobbying hard to seek another delay to the CSDR settlement discipline regime. How successful this effort will be is yet to be seen but it adds to the uncertainties around planning for programme delivery.

> "Key SWIFT changes that are critical to the success of the regulation are only going to be deployed in November, which leaves the industry a relatively short window to adapt, test and deliver in time for February 2021 unless the date moves"

Karan Kapoor, head of regulatory change and technology, Delta Capita

Key SWIFT changes that are critical to the success of the regulation are only going to be deployed in November, which leaves the industry a relatively short window to adapt, test and deliver in time for February 2021, unless the date moves.

Delta Capita's CSDR client work has identified many details and nuances around the mandatory buy-in regime that still need clarification: who is going to be the buy-in agent, how is the market going to deal with settlement chains, how are buy-ins going to be reported and enforced, how will the CSDR buy-in rules co-exist alongside the International Capital Market Association (ICMA) rules?

These are some of the open questions that are keeping the industry on its toes. There are also broader concerns around the impact of the buy-in regime on market liquidity and in general its effectiveness to promote the CSDR objective.

The most ignored topic within the CSDR tapestry is the legal repapering requirement. All client and counterparty contracts will need to be repapered to enact CSDR impacts.

Scope, methodology and apt legal wording is currently not clear, which is a challenge for outreach planning.

As the industry awaits required clarification from industry bodies such as ICMA, the International Swaps and Derivatives Association (ISDA) or selected external counsel, this topic is steadily becoming the critical path, similar to previous Markets in Financial Instruments Directive (MiFID) and Brexit programmes.

How has the ongoing COVID-19 pandemic affected firms preparing for CSDR?

"As the industry adjusts to new ways of working, our engagement with the marketplace indicates that CSDR and fails management projects are very much on the radar of houses right now"

Carpenter: With the need to focus on near-term operational priorities, most firms have by necessity had to divert resources to other projects, such as the Securities Financing Transactions Regulation (SFTR), which has had an inevitable impact on CSDR preparedness.

Simultaneously, the dramatic increase in trading volumes that characterised the first quarter exacerbated the need for more effective management of settlement processes and oversight of real trade expenses.

As the industry adjusts to new ways of working, our engagement with the marketplace indicates that CSDR and fails management projects are very much on the radar of houses right now.

Ben Pumfrett: The initial impact of the COVID-19 pandemic in March, which resulted in the transition to work from home arrangements combined with the management of exceptional transaction volumes, shifted the market's focus from regulatory initiatives to day-to-day operations. The regulatory agenda has since regained prominence, but the pause in the intervening months did impact progress.

Kapoor: Based on the work Delta Capita is doing with our clients, we are inclined to say it hasn't. As strange a time that the COVID-19 pandemic has brought, it has also proved the resilience of this industry. The workforce has adapted to this new way of working fairly seamlessly without any visible loss of productivity. SFTR going live in July after only three months delay is a testament to this. That being said, has the COVID-19 pandemic delayed some key regulatory consultation rounds or industry body discussions? Probably yes, however, we don't believe these delays to have significantly impacted progress.

For market participants who have experienced severe delays due to COVID-19, this is definitely a time to stock check and improve internal resilience processes because the world of remote and satellite working is here to stay.

Baybutt: While the industry responded remarkably well to COVID-19, some firms diverted project resources into operations to deal with the volume spike and higher absences. At HSBC we were able to manage this without diverting resources from key regulatory projects ensuring that we can continue to adhere to the regulatory timetable.

"The workforce has adapted to this new way of working fairly seamlessly without any visible loss of productivity. SFTR going live in July after only three months delay is a testament to this"

Karan Kapoor

Cassells: The feedback we've had from firms is that preparation has not been delayed by COVID-19. The market volatility and fluctuations had a significant impact on operational teams but as the CSDR preparation is still in flight with IT and change teams, it seems that they were able to stay broadly on track. Certainly, we have seen increased engagement and appetite to discuss CSDR in the last four months, with firms firmly moving towards making solution decisions.

Strandberg: This differs between firms, but there has definitely been an impact to custodians and CSDs. The industry has generally handled COVID-19 well, but it has required a reallocation of resources within firms. This, together with working from home or alternative locations, has affected ongoing development, of both systems and processes.

Do you believe industry participants need more time, despite the deadline already being extended?

"It is difficult for firms to be ready in a situation where the regulation is still not fully understood"

Cassells: A recent survey by Baringa on Market Readiness for CSDR suggested that less than a third of respondents fully understand what their new data requirements will be under CSDR and that nearly half are concerned that lack of regulatory clarity is the key challenge preventing them from being ready for CSDR.

It should be borne in mind that there are currently 31 points awaiting clarity from the European Securities and Markets Authority (ESMA), according to their own record.

It is difficult for firms to be ready in a situation where the regulation is still not fully understood. This, when combined with the lack of confirmed buy-in agents and other factors such as CSDs not yet providing sample messages, really is going to make it challenging for firms to be fully ready in time for the extended deadline.

Baybutt: Yes, the extended deadline has been proposed to ensure the market infrastructures, mainly SWIFT and the T2S penalty mechanism, are in place to support CSDR. The delay does not address the uncertainty the industry still has around how to implement. It also does not give time for the European Commission to consider the wider market impacts and the effect the settlement discipline regime will have on liquidity.

Strandberg: Yes. We fully support the request from the European Central Securities Depositories Association (ECSDA) for a further postponement of the CSDR settlement discipline regime.

Kapoor: The initial deadline was extended to align to SWIFT message changes release timelines as the industry has a huge dependency on this infrastructure, as opposed to participant readiness.

However, the industry is still awaiting clarifications to many open regulatory questions and we also understand many European infrastructure providers are not going to be ready on time. Moreover, many firms have been pre-occupied with SFTR preparations, and CSDR progress has suffered from resourcing and other constraints. It is safe to assume that the industry will definitely welcome a delay which would not only allow better preparation but also cleaner enforcement of the CSDR regulation. And given the recent announcement by ESMA on the 28 July, a further delay seems even more likely.

"The delay does not address the uncertainty the industry still has around how to implement"

Paul Baybutt

Pumfrett: The further extension to February 2022 currently being considered would be welcomed by industry participants. This additional time would provide firms with the opportunity to solidify approaches and ensure that all the nuances of the settlement discipline regime are clear.

Carpenter: As with many regulations, markets inevitably need more clarification on rules and then time to interpret and implement appropriate solutions. We know from our long experience in the delivery of regulatory solutions that rule consensus takes time and that they subsequently change shape, pre- and post-go-live dates, for example, with MiFID II. Nevertheless, new rules will arrive, and their impact must be managed. Our own research suggests that it's very much a case of keeping the foot on the pedal.

We polled 100 operations staff across brokerage houses, custodian banks and asset managers at the end of July and found that 68 percent are continuing with their CSDR projects irrespective of the delay. And while 18 percent were waiting for industry-wide clarification before pausing their project, none have put their CSDR projects on hold.

What are your thoughts about the UK dropping the CSDR settlement discipline regime as part of its adoption of EU regulations post Brexit? Will this create more challenges for the UK?

"For the majority of firms that trade across both UK and EU markets, they must now account for different regimes and integrate split models into their programmes"

Ben Pumfrett

Pumfrett: Very few buy-side firms are limited only to the UK market. For the majority of firms that trade across both UK and EU markets, they must now account for different regimes and integrate split models into their programmes. In the UK, it is only CREST settlements that will not be in scope and CREST are continuing with some modifications such as making the 'place of trade' mandatory. There also remains uncertainty on the impact to cross border transactions. Ultimately, the UK may still announce the adoption of settlement fines through its own rules as the objective of reducing failed and late settlement is widely supported.

Cassells: From a purely operational perspective, firms will still be required to adhere to the CSDR settlement discipline when trading in Europe, so this change is likely to lead to further complexity when making determinations and managing workflow.

Carpenter: Most capital markets firms operate globally, having footholds or transactions following through the UK, EU, US and Asia Pacific regions and so they will be pulled into CSDR. There will also be many UK-based investment managers settling across the EU who will need to ensure they are compliant with this regulation. In short, the UK dropping the CSDR settlement discipline regime will not have a significant impact on the necessary steps needed to ensure compliance.

"From a purely operational perspective, firms will still be required to adhere to CSDR settlement discipline when trading in Europe, so this change is likely to lead to further complexity"

Pardeep Cassells, head of financial products, Access Fintech

Firms may focus on reducing the number of trade fails overall by improving the processes involved in trade settlement, which is both best practice and commercially beneficial. Within the UK, dropping the CSDR settlement regime could have an impact on trading volumes as some institutions may look to trade and then settle more UK trades, specifically to avoid CSDR settlement issues.

Strandberg: Good question. At this time, it is difficult to assess whether the settlement

discipline regime will result in any substantial benefits, and it is quite costly to implement. Is there a business case at a market level for the UK? Perhaps not. That said, UK custodians will likely have to implement all the functionality in their systems anyway.

Kapoor: Most of our securities market clients have pan European operations – and since CSDR is still very much enforced across the EU, the show must go on. The small number of organisations that are super specialised in the UK market and only deal in securities settled in CREST can breathe a sigh of relief – the rest remain unaffected.

How the market reacts remains to be seen – will European flow be diverted into the UK where possible? Or will clients demand EU settlement to conform to a single rule? One can only speculate at this stage.

In addition, the current position is that the UK won't implement the settlement discipline regime as is currently drafted. Will the UK coin a variant of similar rules in the future? Only time will tell.

"The proposed delay to CSDR until 1 February 2021, has meant that the settlement discipline regime in its current form could not be implemented into UK law"

Paul Baybutt, director, senior product manager, global middle office product, securities services, HSBC

Baybutt: The proposed delay to CSDR until 1 February 2021 has meant that the settlement discipline regime in its current form could not be implemented into UK law.

An equivalent regulation would need to be proposed and passed for the UK to adopt the settlement discipline regime.

By HM Treasury stating that they will not implement the EU settlement discipline regime, they have removed the uncertainty faced by firms not yet knowing the answers to be provided by the European Commission.

However, as CSDR will still apply to UK firms settling trades in the European CSDs, we still need clarity from Europe as to how the regulation should be implemented.

Longer term, the UK will be able to consider how they should address the settlement discipline regime and will have time to ensure the matters open in Europe are considered.

How will firms handle the costs of a failing-trade under CSDR? Why is this a lot higher than the cost of a failing-trade under a non-CSDR regime?

"At this time, it is difficult to assess whether the settlement discipline regime will result in any substantial benefits, and it is quite costly to implement"

Strandberg: For custodians, this remains to be seen. Investments in increased STP, both with regards to system functionality but hopefully also higher attention to standard settlement instructions (SSIs) and deadlines, should result in a decrease of staff in the settlement instruction process. On the other hand, those effects seldom play out as planned and besides, the STP rate is very high.

One would think that the take up for autoborrow arrangements to reduce failed trades would pick up steeply but so far, we have not detected the expected sense of urgency. This combined may mitigate the increase of staff necessary to monitor penalties, investigate cause, validate appeals, report buy-in progress, and other potential tasks resulting from the settlement discipline regime.

Baybutt: We expect to pass on the costs of failing trades to the participants responsible for the fail and then for these to be redistributed to the party who has not received the securities. Based on the current fail rates across the industry we anticipate that the buy-side investors will receive more redistributed amounts than pay penalties.

Kapoor: We think it's prudent to break this question out into two distinct parts. First, why is the cost of a failing trade under the CSDR regime higher than pre-CSDR? The answer to this is fairly straightforward: under CSDR failing trades will be subject to mandatory cash penalties and will risk being bought in.

Each of these punitive consequences will bring financial impact to the failing counterparty, who will receive a hefty penalty per day the trade has failed from the relevant CSD until the end of the extension period, beyond which the transaction will be bought in. Bought in transactions, too, carry a huge bill which includes fees for buy-in execution, any market linked price difference for the security or any compensation that might be levied.

As Delta Capita helps its clients consider how to allocate CSDR costs we are seeing a number of permutations emerge. Depending on where the firm is in the value chain it may either choose to absorb the cost or pass it on to the next participant in the chain. Careful analysis needs to be done on the various scenarios that can emerge when a trade fails. Is your firm buy side or sell side? What is your contractual relationship with your client with regards to settlement? How big is that client for your business? Are you in an onward chain? These are only some of the questions that need to be asked before the right answer can be ascertained.

Carpenter: Under CSDR, daily penalties of failed trades will be calculated in basis points and vary by the type of instrument transacted, etc.

Although this doesn't initially sound earth-shattering, a tier one investment bank could potentially experience over 10,000 failed trades per day in the core European markets, with associated penalties adding up quickly.

On top of this, firms are also likely to incur operational costs as they look to update existing infrastructure or introduce new systems to remain compliant.

Firms will also need centralised and automated settlement fail processes tracking the range of securities, to ensure they are not caught out by unexpected fees.

Using an integrated CSDR management solution means firms will be able to manage all the various requirements of CSDR on one single end-to-end platform, mitigating these potential risks and the costs of upcoming penalties and buy-ins through efficient issue resolution.

Although there is a lot of concern around CSDR, how do you expect the regulation to play out?

Kapoor: We strongly believe that the CSDR regulation has its heart in the right place. There is passionate agreement across the industry that the objective of market efficiency improvement that CSDR is pursuing makes sense and is required. Hence market participants themselves want to ensure that CSDR meets its objective.

Having said that, some requirements are seen to be more effective than the others, while some requirements raise concerns about unintended consequences, but it's definitely fair to say that a regulation the market is trying to get behind will definitely reach a positive outcome. There may be some realignments along the way – how they transpire is yet to be seen.

At Delta Capita we have a mature CSDR offering and have been advising and supporting our clients design and deliver the right CSDR solution for their organisations. Our deep industry expertise, our DNA in securities operations and

Pumfrett: If the implementation of the regulation is deferred, there may be industry efforts to further push for the decoupling of settlement penalties and buy-ins.

Some proponents suggest that regulators consider introducing settlement penalties first, to determine if this has the desired impact on reducing settlement fails and late settlements before implementing a buy-in regime.

"If the implementation of the regulation is deferred, there may be industry efforts to further push for the decoupling of settlement penalties and buy-ins"

Ben Pumfrett, director, product and profitability, middle office, RBC Investor & Treasury Services

> **"We strongly believe that the CSDR regulation has its heart in the right place"**
>
> ***Karan Kapoor***

managed services and our many relevant digital assets such as DC-Transform, Fraxses and Modus can help accelerate CSDR initiatives.

Carpenter: With the planned penalty and buy-in rules under CSDR, the broader fails management process is now firmly in the spotlight.

Whatever the outcome of current discussions with the regulator, firms do struggle to manage fails across multiple systems and multiple regions, across different asset classes and clearing houses.

Irrespective of possible CSDR implementation delays our goal is to provide a complete fails management capability, one that handles CSDR rules and more, with a 'single pane of glass' that enables operations teams to manage their fails effectively and in a single place.

Strandberg: We hope that settlement rates will increase with the introduction of penalties (as per CSDR).

But unless certain changes to the settlement discipline regime are performed, primarily around mandatory buy-ins, the overall impact to securities markets may be negative.

Baybutt: Momentum is gathering for a further delay. ESMA has confirmed they are preparing a proposal to delay the entry into force of the CSDR settlement discipline regime until 1 February 2022.

This is due to the impact of the COVID-19 pandemic on the implementation of regulatory projects and IT deliveries by CSDs and came as a request from the European Commission.

This delay only provides for the implementation of settlement discipline in its current format one year later; it does not provide that the European Commission will review settlement discipline. However, later this year, as with all European regulation a periodic review of CSDR will take place.

Normally, this would only consist of reviewing the in-force regulations, however, there is much industry lobbying for the European Commission to include settlement discipline in this review, which could open up the possibility of changes to the regulation.

Cassells: In a previous role, I was a broker and custodian relationship manager and worked with those organisations to understand the key drivers of mismatches and failing trades.

In a four year window, we saw a dramatic increase in timely matching and settlement with many firms eventually consistently achieving in excess of 99 percent timely settlement. The fails, where they did occur, were caused by three key issues: failure to deliver, SSI discrepancies, and inventory issues – all of which are avoidable.

Despite the concerns around CSDR at this time, it will absolutely incentivise market participants to resolve the thematic issues above to ensure timely and accurate matching and settlement of trades, and this can only be a good thing.

Are you interested in taking part in the next AST panel? If so, please get in contact with Justin Lawson: justinlawson@assetservicingtimes.com

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Eye of the tiger

Described as one of the Asian Tigers, Singapore has an excellent reputation within its asset servicing industry and is continuing to grow from strength to strength. Industry experts discuss the impacts of the ongoing pandemic as well as trends and future developments

Maddie Saghir reports

As one of Asia's most well-established markets, Singapore has a thriving financial hub and has been described by some as one of Asia's economic "tigers" along with Hong Kong, South Korea and Taiwan.

Singapore gained full independence in 1965 and has since gone from strength to strength with a secure government that concentrates on ensuring the legal, technological and infrastructure resources are in line with the requirements of international investors. Its market has been described as educated and highly regarded as efficient and comparatively low-cost compared to other financial centres.

Additionally, the city-state's advanced technological infrastructure has been a strength, placing it in a prime position to increase in Asia's custody market. Further factors contributing to its evolution stem from investors becoming more sophisticated in their investments looking for yield and new asset classes like structured products, as well as mutual and hedge funds.

With much to be proud of, what is next on the horizon for the Asian Tiger and how is the ongoing COVID-19 pandemic affecting it?

Standing strong

Singapore has remained strong and resilient in the face of the unprecedented pandemic. COVID-19 has encouraged new ways of working for many in the financial services industry, with many now working from home. It has also placed a great emphasis on operational resilience, as well as shining a light on how technology can be better incorporated into processes. However, in Singapore, industry experts say that even before the crisis, the asset servicing industry had pivoted towards a technology-led transformation.

Mathew Kathayanat, director and head of product and strategy for Asia Pacific, asset servicing, BNY Mellon, says: "The COVID-19 crisis has not

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only justified the industry's targeted investment in technology, but it has also now accelerated the digitisation of businesses. Obviously, these are very worrying times, but our systems are set up to handle spikes in transactions, so it doesn't really differ from any other day when you have scalable platforms."

In agreement, Yen Leng Ong, country executive for Southeast Asia at Northern Trust, notes that most of the mid-size and large financial institutions across Asia Pacific are well positioned to navigate the current environment.

According to Ong, an important contributor to this has been their investments in technology modernisation which has improved the straight-through processing rate.

Alongside investment, she suggests that being able to undergo IT network infrastructure upgrades is another important contributor in order to support more capacity and secure video conferencing platforms, in order to stay connected.

She comments: "The pandemic has also forced the industry to consider how staff can meet regulatory requirements while working from home. The challenge of adapting from managing a team of employees in a single office to overseeing distributed home offices is quality control of processes."

"Most of the global, regional and local asset servicing service providers have been able to move quickly and deliberately during the distributed home office working arrangement, to maintain and even exceed the service level with clients," Ong adds.

A technological wonder

Technology has advanced at a rapid pace over the past few decades and Singapore has been taking full advantage of the technology on offer across the financial services industry, especially within asset servicing.

In terms of its use cases, Kathayanat notes that technology is providing opportunities that has helped to improve harmonisation in Asia. He says: "Asia's growing role in global markets and the financial ecosystem naturally mean that technology is a key enabler of improved harmonisation."

"*Asia's growing role in global markets and the financial ecosystem naturally mean that technology is a key enabler of improved harmonisation*"

The best example is blockchain, which regulators and big financial institutions are looking to as a means of increasing transparency, interoperability, and resilience to market events.

"Blockchain is already transforming the way in which securities are being issued, traded, cleared and settled, and not too far down the line, various types of assets will be tokenised, inevitably leading to greater regulatory and practical convergence between different jurisdictions. BNY Mellon's blockchain-based platform for US treasury bond settlement- BDS360- has been running since 2016 and is used as a resilience tool internally providing an immutable version of security records," Kathayanat says.

At BNY Mellon the focus is to leverage technology to unlock value, for instance using artificial intelligence and machine learning to deliver additional services to clients in a proactive fashion.

As an active market for fintech innovation, leveraging distributed ledger technology (DLT) for fund administration is inevitable, however,

Ong highlights that the change requires a local market ecosystem and collaboration.

She explains that there are many upsides to using DLT for know-your-customer (KYC) practices, as it has the potential to make the asset servicing landscape more efficient. But the value of only Singapore's ecosystem would be limited, given the global context of the asset servicing industry.

"With Singapore positioned as a regional foreign exchange (FX) centre, we have seen the FX landscape shift to leverage technology for trading. For example, Northern Trust launched an algorithmic e-trading solution and a passive currency management solution in late 2019 and early 2020 respectively," she adds.

Trends in the market

There are quite a few notable trends in Singapore's asset servicing space, including increased demand for digitalisation, data analytics and sustainable investments.

Ong explains that the accelerated demand for digitalisation has been heightened by the added factor of COVID-19. This has created the adoption of other forms of technology which, although have always been available before, are now relied upon more. She says: "In addition, the growth and evolution of technology has meant that some firms are looking to outsource services. It is difficult for all firms to handle the rapid growth in technology and therefore we are seeing some consider outsourcing middle and front office operations, even from the beginning of the setup of the firm. We are also seeing a demand for data analytics for performance and operation optimisation purposes."

Another trend that has ridden on the coattails of COVID-19 is environmental, social and governance (ESG) factors. While ESG awareness was high in Singapore and the rest of the region, it will now become entrenched with their asset manager and asset owner clients as they emerge from this crisis, according to Kathayanat.

Meanwhile, discussing developments in the custody space, Ong says: "In listed securities, the processing is already highly automated. However, processing unlisted securities presents the opportunity for digitalisation. Therefore, applying fintech on the Singapore variable capital companies (VCC) fund administration should be considered."

Continuing the momentum

Looking to the next 12 months, Singapore's asset servicing industry has lots of opportunities in store, with the two main ones being VCC's fund administration and family office asset servicing. Ong suggests this is due to the current VCC drive and wealth movement from Hong Kong to Singapore.

Kathayanat stipulates that the new VCC structure strengthens Singapore's competitiveness in the arms race in fund structures, allowing asset managers to use a single locally incorporated structure to hold a pool of assets and multiple sub-funds.

"Firms from China, India, Switzerland and the US are already signed up. The interest levels are up despite the current situation which bodes well for the asset management industry in Singapore."

"This year is about getting the first tranche of fund launches set up," Kathayanat states.

Digitalisation is also set to continue its significant role in Singapore's financial services space, with predictions that it will continue to evolve, coupled with digital transformation.

Ong stipulates: "For instance, setting up an end-to-end operational process to accept a proper instruction through an online portal or an e-signature of an emailed instruction, authenticating the instruction, processing it, recording and monitoring it with human intervention when the algorithms spots an anomaly."

"This solution could be refined with the introduction of machine learning for improvement. In addition, digitalisation helps achieve more data gathering to create more analytics that helps drive decision making to achieve investment performance and operational efficiency."

Another opportunity for Singapore is outsourcing. Ong says: "During the global pandemic, clients have been reconsidering their business resiliency strategy."

She concludes: "We are seeing an increasing interest in operational outsourcing for both middle and front offices, in order to manage risk, comply with the constantly changing regulatory requirements and ensure operational efficiency."

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Intertrust Fund Services Ireland has appointed Blanca McGarry as head of transfer agency.

McGarry joins the provider of corporate, fund, capital market and private wealth services from Centaur, where she held the position of investor services manager.

Prior to this, McGarry acted as senior fund accountant at Citi, where she gained industry experience in client servicing and operations.

Kevin Doyle, head of fund administration at Intertrust Ireland, commented: "With her extensive knowledge, Blanca McGarry is a great addition to the fund administration team, and joins us at a time of dynamic development and growth."

BNY Mellon has appointed Emily Schlosser as chief operating officer of Pershing.

In addition to her role, Schlosser will join as a member of Pershing's executive committee.

Pershing provides global financial business solutions including clearing and custody, investment and retirement solutions, enterprise data management, trading services, and prime brokerage.

Schlosser joins the firm from Goldman Sachs, where she held the position of head of change in the global markets division and was responsible for overseeing the transformation of the institutional client experience in terms of new revenue streams, scale, managed risk, and regulatory compliance.

She also previously held the role of COO of corporate services at E*TRADE, where she was

BNY Mellon has appointed Emily Portney as chief financial officer.

Reporting to CEO Todd Gibbons, Portney replaces Mike Santomassimo following his departure from the bank. In her new role, Portney will also join as a member of the executive committee. She previously led the global client management, sales and services team for BNY Mellon Asset Servicing, and oversaw the Americas region of the firm's asset servicing business.

Before senior leadership roles at BNY Mellon, Portney held the position of CFO at Barclays International, where she led a global organisation covering the corporate and investment bank, private bank, and payment business.

Gibbons commented: "Emily Portney is an accomplished and respected industry leader, with deep industry knowledge and connections to our client base."

"She provides the critical business and client-centric perspective that the role of CFO requires, and will join the other members of the executive committee in executing on our strategy, which is centred on driving growth, increasing efficiency and scaling our operating model, and fostering a high-performance culture."

Portney added: "I am honoured to serve as CFO of BNY Mellon. We have a strong balance sheet and a vibrant business, and we will continue to focus on quality and efficiency in our operating model to support growth and exceptional client experience."

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Jim Crowley, CEO of Pershing, commented: "We are thrilled to welcome Emily Schlosser as Pershing's chief operating officer. Client experience is a critical driver of today's business decisions, and we believe this will continue for the foreseeable future."

"With her proven track record of driving major corporate transformations across financial services, experience structuring complex change programs, and success creating best-in-class client onboarding solutions, Schlosser will be integral in our efforts to continually elevate the advisor and investor experience."

Wells Fargo has appointed Mike Santomassimo as chief financial officer (CFO), effective from autumn this year.

Reporting to CEO Charlie Scharf, he will serve on the company's operating committee. Santomassimo joins from BNY Mellon where Emily Portney has taken on his most recent role as CFO.

At BNY Mellon, in addition to leading finance, he was responsible for the firm's regulatory relations, enterprise resiliency office, third-party governance, and other corporate services.

Prior to joining BNY Mellon, he spent 11 years at JPMorgan Chase in a number of key finance leadership roles, such as CFO for banking, which included investment banking and treasury services. During his career, he has also worked as CFO of JPMorgan's securities services and US private banking businesses.

Software-as-a-service (SaaS)-based provider of buy- and sell-side trading solutions LiquidityBook has appointed Cash Lafferty as head of business development for the West Coast region in the US.

Based in California, Lafferty will be responsible for all major West Coast markets including, but not limited to, San Francisco and Los Angeles. He will also assume responsibility for promoting LiquidtyBook's portfolio, order and execution management system platform to fund managers and financial institutions.

Lafferty joins LiquidityBook from Orbital Insight, where he held the position of vice president of global sales.

Sean Sullivan, chief revenue officer at LiquidityBook, commented on the appointment: "As we continue our expansion regionally and globally, it's difficult enough to find someone with Cash Lafferty's skill set."

"Cash's new role as a dedicated West Coast sales leader will be a major driver of our continued expansion, as he brings a deep and diverse resume and well over a decade's worth of knowledge and relationships in the region. We are excited to have him aboard."

Lafferty added: "Helping buy- and sell-side firms learn about the most efficient tools on the market and optimise their technology spend has been one of my primary focuses over the course of my career."

"I have watched LiquidityBook steadily gain market share over the last few years; their powerful combination of the latest in SaaS technology with rich functionality in a flexible front end was a big factor in my decision to join the team. I look forward to making the case for why our offering is a cut above the rest on cost, stability, service and functionality."

Commenting on the appointment, Scharf said: "Mike Santomassimo is a strategic-minded CFO with success in building and leading global finance teams that help drive business improvement."

"His experience as the CFO of one of the other seven globally systemic important banks in the US puts him in a unique position to have an immediate impact on Wells Fargo. He is action oriented and will be an important partner to me and our entire operating committee as we move our company forward."

Santomassimo will succeed John Shrewsberry, who has announced plans to retire following a successful 22-year career with Wells Fargo, including the last six years as the company's CFO.

Shrewsberry will continue in his role as CFO until Santomassimo joins the company and will assist with the transition thereafter.

Shrewsberry's retirement comes after a financial services career that spans more than 28 years.

Prior to his CFO role, Shrewsberry served as head of Wells Fargo Securities from 2006 through May 2014, where he was responsible for investment banking and capital markets.

Additionally, he has also worked as group head of Wells Fargo Commercial Capital, the successor to a commercial finance company he co-founded that became part of Wells Fargo.

Earlier in his career, he was a vice president in the fixed-income division at Goldman Sachs and in the principal finance and mortgage finance business lines at Credit Suisse First Boston.

Scharf said: "On behalf of the entire Board and management team, I thank John Shrewsberry for his many years of dedication and valuable contributions."

He also noted: "He is well-respected throughout the company and the financial community for his strategic insight as well as for his commitment and passion for building strong, personal relationships, and we are grateful for his many years of service to the company."

Shrewsberry added: "The past 22 years have been rewarding thanks to the talented people I have worked with and the work we have led. It has been my privilege to be surrounded by a dedicated team and some of the brightest minds in financial services."

"I am proud of the progress we have made and the team we have built, and I have every confidence in the enterprise finance team to continue the good work we've begun. I have gotten to know Mike Santomassimo over the last couple of years and recommended him for the job. He is an experienced, well-respected CFO and I am excited about what he will bring to Wells Fargo."

Delta Capita has appointed Karan Kapoor as the new head of regulatory change and technology, based in London.

Kapoor brings more than 10 years of bank regulation-driven business and technology change management experience, spanning the Central Securities Depositories Regulation (CSDR) Dodd Frank, the second Markets in Financial Instruments Directive (MiFID II), Basel III and the European Market Infrastructure Regulation (EMIR).

Most recently, he managed the CSDR initiative at a global investment bank where he led a team to quantify the commercial impact of the CSDR settlement discipline regime, whilst supporting the design of target state technology and process solutions to deal with penalties and mandatory buy-ins.

At Delta Capita, Kapoor will help clients benefit from the firm's digital assets and CSDR project accelerators such as DC-Transform and DC-Modus.

Commenting on his new role, Kapoor commented: "This is a great time to be joining Delta Capita following the recent Prytek investment. In the short term, I will be leading our CSDR delivery services where Delta Capita has some great technology assets to help banks track, trace and monitor operational breaks throughout the settlement workflow. Looking forward I am excited to be helping shape and build out Delta Capita's strategic managed services."

Steve Vinnicombe, head of Delta Capita's global consulting unit, added: "As we evolve our offering to be driven by technology assets and deep industry knowledge, Karan Kapoor brings a wealth of relevant experience in regtech as well as bank operational efficiency, finance and risk data transformation and specific regulatory regimes. We are delighted to welcome him to the team."

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