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Prevention is better than cure

CSDR SDR is set to improve settlement efficiency, but disparity remains among market participants in terms of readiness

Corporate Actions

Sionic's Jim Monahan reflects on the lessons learned in the world of corporate actions over the last year

Private Equity

Private equity continues to grow and evolve amid a growing complex environment with new regulations

BNY Mellon selected for transfer agency services by Charles Schwab

BNY Mellon has secured a mandate to deliver transfer agency services for the global investment manager Charles Schwab Investment Management. Charles Schwab says it picked BNY Mellon based on its long-term commitment to the transfer agency business, as well as its experience delivering a leading client service model, technology platform and operational services.

BNY Mellon's OMNISM platform will also bring direct servicing benefits to Charles Schwab Investment Management.

Steve Farlese, head of investor solutions products at BNY Mellon, comments: "We are very pleased to be able to provide Charles Schwab Investment Management with the ability to help reduce the complexity and costs associated with servicing its clients' assets."

"This is another major step for BNY Mellon in continuing to provide an aligned operational structure that provides direct servicing benefits, streamlines access to investment information and improves efficiencies for our clients and their distribution partners."

Mark Fischer, chief financial officer of Charles Schwab Investment Management, adds: "We are eager to work with the BNY Mellon team and have been impressed by its service model, solutions, deep industry experience and the strategic vision they bring to investor solutions."

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Pictet Asset Services enhances presence in Monaco

Pictet Asset Services, the asset servicing business line of the Pictet Group, has opened a booking centre for external asset managers in Monaco with a local presence of dedicated client relationship managers. The new booking centre in Monaco adds to the network of locations currently available to external asset managers: Geneva, Zurich, Luxembourg, London, Paris and Madrid.

According to Marc Briol, CEO of Pictet Asset Services, this expansion represents an opportunity to develop long term relationships with investment fund managers based in the principality seeking high quality services.

Broil notes: "We are pleased to develop our activity in Monaco, in line with the Pictet Group's commitment to the European market."

Meanwhile, Alain Ucari, head of Pictet Wealth Management in Monaco, comments: "With a domestic market estimated at €110 billion in bankable assets, Monaco has become a popular international financial centre for wealth management over the years."

"We are delighted to welcome Pictet Asset Services and join forces with them to further develop Pictet's presence in the Principality," adds Ucari.

The team will join Pictet's banking branch in Monaco, which opened in February 2020.

KLAR Partners selects Intertrust as fund administrator

Intertrust, a provider of specialised administration services, has been appointed as fund administrator and depositary to European private equity firm KLAR Partners.

As part of the mandate, Intertrust Group will provide KLAR Partners with fund administration, depositary and special purpose vehicle (SPV) management services across Luxembourg and Sweden.

KLAR primarily invests in companies based in the Nordic, Benelux and DACH regions, operating in business services and industrial sectors with an annual turnover of approximately €50 million to €500 million.

KLAR Partners recently announced the final closing of its debut fund, KLAR Partners I, at its hard cap of €600 million.

Following a competitive tender, Intertrust Group was appointed based on the firm's bespoke offering, operational strength to service the entire vertical fund structure and strong European foothold.

Edwin Chan, director, UK funds at Intertrust Group, comments: "We are delighted to have been appointed as the preferred administration and depositary provider for KLAR Partners."

"KLAR's highly successful debut fundraise during the COVID-19 pandemic is a testament to the strength of its investment approach and we are confident that our strong asset class expertise and bespoke global service offering will be instrumental in supporting KLAR's growth ambitions," adds Chan.


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TrustQuay expands to Luxembourg with new office

TrustQuay, a technology provider to the corporate services, trust and alternative fund administration markets, has opened a new office in the Luxembourg House of Financial Technology (LHoFT).

The new office comes after TrustQuay significantly invested in Luxembourg-specific corporate services, trust and fund administration functionality such as eCDF and FAIA reporting. In addition, the company has expanded its customer base with the signing of Centralis, a corporate services provider headquartered in Luxembourg. Alongside the new Luxembourg office, TrustQuay has eight other offices located in Jersey, Guernsey, the UK, Singapore and Australia.

Keith Hale, executive chairman of TrustQuay, explains that Luxembourg is "a key and growing" corporate services and alternative fund administration market.

Following TrustQuay's investment in the local requirements and team, Hale says: "We are excited to establish a new office at LHoFT to better serve our customers who have operations and their end-clients in Luxembourg, as well as help expand our local customer base."

Hale suggests that the corporate services, trust and fund administration sector is undergoing unprecedented change, which is driven by accelerating consolidation and a rapid drive to digitalisation.

"By offering a complete front to middle to back-office technology platform with the widest global jurisdictional coverage, we can help our customers in Luxembourg and elsewhere digitalise their services and thereby increase automation and efficiency, improve organic growth by leveraging the latest technology tools, and expedite merger and acquisition integration where needed," he adds.

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TMF Group bolsters US presence with new acquisition

TMF Group, a provider of global administrative services, has completed the acquisition of Venture Back Office (VBO), a US-based third-party provider of solutions to private equity, real assets, credit, and emerging manager funds. As a result, TMF Group will now administer more than €150 billion worth of assets on behalf of its global fund manager client base. VBO was founded in 2007 and provides fund administration and investor services, as well as solutions for management and portfolio companies.

The acquisition marks an important milestone in TMF Group's strategy to further grow its global fund services business and bolster its capabilities in the North American market, particularly in the US. The deal follows on from other recent acquisitions such as State Street's fund administration business in the Channel Islands, IQ-Nexus in the Netherlands and Selectra. All of these acquisitions have been designed to strengthen the company's fund services proposition. Jan Willem van Drimmelen, TMF Group's head of North America, states: "We are delighted to welcome the team at VBO into the TMF Group fold. The US market is particularly important for the group as it is home to 60 per cent of the world's private equity market."

Drimmelen continues: "VBO's skillset and knowledge of local requirements significantly enhances our global offering and domestic capabilities – the combination of our global mindset, matched with VBO's local expertise, looks set to be very powerful."

Clearstream gains CSDR licences for its international CSD

Deutsche Boerse Group's post-trade services provider Clearstream has obtained the Central Securities Depository Regulation (CSDR) licences for Clearstream Banking, its international central securities depository (ICSD).

The authorisation marks a key step in achieving full CSDR compliance for all of Clearstream's CSDs.

The licences were granted by the Luxembourg Commission de Surveillance du Secteur Financier and include core and non-banking type ancillary services, banking services and an interoperable link. Clearstream's German CSD and Luxembourg CSD already hold licences pursuant to Article 16 CSDR. With Clearstream Banking's authorisation, now only one more licence, for banking services for its German CSD, is outstanding.

Stephan Leithner, Clearstream chairman and member of the executive board of Deutsche Boerse, comments: "CSDR is a key pillar of the EU's post-trade regulation."

According to Leithner, by requiring CSD services to be provided by trusted, licensed infrastructures set up according to stringent and transparent rules, CSDR aims to create a level playing field and promote market stability and integrity.

"These goals align perfectly with Clearstream's mission of providing a safe, efficient and trusted post-trade ecosystem for all market participants," he says.

CSDR aims to make markets more stable, transparent and efficient by regulating securities settlement and settlement infrastructures in a harmonised manner across the European Union. In early April, the European Association of Clearing Houses urged the European Commission to agree with the European Securities and Markets Authority to further delay the implementation of the CSDR settlement discipline regime beyond February 2022.

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BNP Paribas and Riyad Capital to provide joint asset servicing offering

BNP Paribas Securities Services and Riyad Capital have signed an agreement to provide global custody, fund services and consolidated data management services in Saudi Arabia under a joint servicing model.

Set to go live in H1 2021, the offering is the first of its kind in the Kingdom and the region. It has been developed over the last two years and in conjunction with a large public sector institution.

Based on three key elements, the offering enables products and services to be delivered under one single contract between Riyad Capital and a client. It is operated locally with services and local data managed in the Kingdom, and it is staffed by a specialist team based locally.

According to Riyad Capital, all clients will benefit from a range of services, including local and global custody, securities lending, investment accounting, and performance measurement. In addition to this, ex-post risk analytics and post-trade compliance monitoring across a range of asset types will also be available as part of the service offering.

Riyad Capital says asset owners and asset managers will benefit from this holistic solution for both local and international assets, traditional as well as alternatives, through a single platform, hosted in the Kingdom.

Charles Cock, vice chairman international at BNP Paribas Securities Services, says: "We are pleased to offer this servicing model with Riyad Capital, one of the largest providers of securities services in the Kingdom. This will further strengthen our offering in the region."

Sabty Sulaiman Al-Sabty, CEO of Riyad Capital, comments: "The solution we have developed with BNP Paribas Securities Services will truly cultivate and amplify the role of securities services in the financial markets in the Kingdom."

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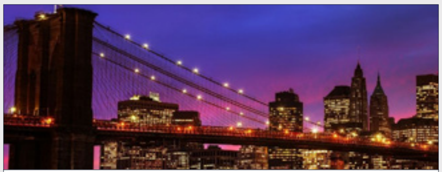

MarketAxess completes MuniBrokers acquisition

MarketAxess has completed the acquisition of MuniBrokers, a central electronic venue serving municipal bond inter-dealer brokers and dealers.

This acquisition is designed to expand MarketAxess' existing municipal bond trading solution for global institutional investor and dealer clients.

Read the full article online

BNY Mellon introduces Chinese bonds as collateral on its triparty platform

BNY Mellon has introduced Chinese bonds as eligible collateral on its triparty platform through Hong Kong's Bond Connect to enable investors to utilise their Chinese fixed income assets.

Bond Connect allows international investors to access the $13.9 trillion China Interbank Bond Market through a market infrastructure linkage in Hong Kong.

Read the full article online

Concerns remain as LIBOR deadline nears

Concerns around the amount of work yet to be carried out with regards to the London Interbank Offered Rate (LIBOR) transition still remain, as indicated by Tal Reback, principal at KKR, during a hosted discussion with Matthew Hays, global head of asset finance and securitisation practice at Dechert.

The discussion took place shortly after the March 2021 ICE Benchmark Administration announcements.

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DTCC: complete industry engagement needed to move from T+2 to T+1

In order to move from T+2 to T+1, complete industry engagement is needed, according to Murray Pozmanter, head of clearing agency services and global business operations, Depository Trust & Clearing Corporation (DTCC).

Pozmanter's comments were made during the 2021 DTCC Forum where he discussed the challenges surrounding a move to T+1.

Read the full article online

Canoe Intelligence collaborates with Holland Mountain

Canoe Intelligence, a financial technology company focused on reimagining data management processes for alternative investors and allocators, has collaborated with Holland Mountain, a data solutions provider to the private capital industry.

Through this collaboration, Holland Mountain will offer a connector for Canoe's technology to mutual clients, which forms a crucial part of Canoe's expansion into Europe.

Read the full article online

SteelEye sets sights on North America for expansion

UK-based compliance technology and data analytics firm SteelEye is strengthening its footprint with plans to expand into North America following additional raises in capital.

SteelEye is estimated to reach $21.73 billion by 2027 and raised more than $17 million through two funding rounds in 2020. The first was led by Fidelity International Strategic Ventures alongside existing investor Illuminate Financial.

Read the full article online

The path forward in a post-pandemic world

Sionic's Jim Monahan reflects on the lessons learned in the world of corporate actions over the last year and, more importantly, considers the opportunities that lie ahead

As the light at the end of our journey through the global pandemic starts to become brighter, it's time to reflect on the lessons learned in the world of corporate actions over the last year; and, more importantly, to consider what opportunities lie ahead.

At its onset, the pandemic exposed a wide spectrum of weaknesses within financial services. Many can be attributed to legacy practices and mindsets that grew from the bygone era of physical securities and other practices which simply failed to evolve over decades. Such traditions and ways of thinking challenged the industry and triggered our ability to reassess how we do our business and adjust to the new remote working environment that many were required to quickly adapt and continue to work from today.

As the pandemic persisted, we saw resilience rise to meet challenges old and new. The industry adapted and responded to new demands and growing disruptions alongside the pre-existing ones with which we are all too familiar. And unlike the crisis of 2008/2009, financial services responded well. Without ample time to brace for the impact of the pandemic, our industry did two things; adapted to change and became more strategic.

Now it's time to build on the lessons learned in 2020/2021 and prepare for a more seamless, client centric, less risk-prone corporate actions operations environment. In doing so we must utilise the expansive knowledge behind today's industry to preserve the best lessons learned from yesterday while building a better foundation for tomorrow.

Corporate action risk

When discussing corporate actions with my peers and colleagues, our conversation often centres on the question of how the industry can change the persistent and growing risk in corporate actions processing. Sionic estimates that nearly $1 billion is lost each year through missed opportunities or mismanaged corporate action events. These growing losses arise from a combination

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> *We believe the industry's failure to address the root cause(s) surrounding corporate action risk has impeded our collective ability to mitigate losses and has ultimately fostered an increase in the global risk profiles of many firms*

of factors, from current industry circumstances to longstanding processes that, left unaddressed, hinder optimum processing performance across the industry. We believe the industry's failure to address the root cause(s) surrounding corporate action risk has impeded our collective ability to mitigate losses and has ultimately fostered an increase in the global risk profiles of many firms.

The primary sources of corporate action risk are often driven by the growing complexity of corporate actions across the globe; expanded use of derivatives and the associated introduction of intricate inter-company booking models; and higher corporate action processing volumes driven by both an increase in announced events and also by growth in trading activity. These factors, coupled with outdated systems and inefficient manual processes, incrementally add to the burden within organisations, exponentially compounding the associated risk.

At Sionic, our vision is of a less risk adverse corporate action environment evolving through three distinct avenues: process, technology and people.

Global harmonisation of the corporate action processes

Any 'new normal' will affect all facets of our personal and professional lives: the pandemic has changed the preferences and expectations of employees, employers, and clients forever. Similarly, the world of online consumption and contactless commerce will continue to reshape consumer behaviour on a permanent basis.

We believe the potential for changes within financial services could prove even more significant, as both regulators and industry participants push for real change from archaic conventions to a digitalised infrastructure. This has the potential to achieve our collective desired goal of a more efficient, transparent and — which is now essential, as the crisis shows — a more resilient post-trade support process.

These evolving global conditions provide corporate action leadership teams across the industry with the opportunity to reshape financial services and create a more globally harmonised corporate action model that will promote efficacy, visibility, and ultimately produce a model for greater and lasting durability: now is the time for change.

In the last few months, various industry whitepapers have proposed a move towards complete dematerialisation; and an even bigger push to move the US markets to a shortened settlement cycle of T+1, with an eventual plan of moving toward T+0. We are advocates of both and believe they are the springboards to mitigating risk within the corporate action arena going forward.

The collective desire within the industry to tackle these broader challenges presents corporate action leadership teams with the opportunity to push for real change within our industry. Dematerialisation can drive change in the existing and antiquated processes supporting partial calls or the legacy and risk-prone guarantee delivery model. The movement to shortened settlement cycles will impact ex-date models and can further close — or potentially eliminate completely — the due bill claims process with which firms continue to struggle. And we believe this is just the start.

Ultimately, our industry's success will be driven by our collective ability to adopt both a holistic forward-looking view (whether it is a movement to T+1 or towards global harmonisation within corporate actions), along with a more focused approach across the broader post-trade life cycle, inclusive of corporate action, as we drive real change within the global corporate action arena.

Technology

Sionic foresees the forward-looking technology view for financial services post-pandemic as being markedly reshaped —virtually and otherwise – by lessons learned in the last year. Evolving brokerage and banking operations, expanding customer networks, security, compliance, and many more aspects within the broader post-trade lifecycle ecosystem will be re-evaluated, re-defined and refreshed. More importantly, the adoption of new technology to meet the expected permanency of an expanded remote working environment and the need for an improved virtual collaboration landscape will be paramount in their design sessions.

Pragmatic financial institutions will remodel their approach to data management; from designing new data modelling ecosystems that infuse employee interactions with artificial intelligence (AI) to embracing a technology approach toward an expanded utilisation within cloud. As the speed of market changes increases and consumer behaviours follow suit, the use of cloud infrastructure will become progressively more popular.

The ability to expand virtual collaboration and improve operating efficiency will be driven by each firm's ability — and willingness — to harness the power of their respective internal trade lifecycle data. Equally important is the movement toward data utilities and the ability to standardise, collate and share common data across the industry.

In the years ahead, as the adoption of cloud-based operating platforms progresses, we envision data utilities that will evolve beyond the parameters defined today and move towards a more collaborative approach to data management/sharing, which will expand to include key corporate action datapoints leveraged across the industry today. Embedded deep into the fabric of this rapidly evolving post-trade support model are the intricacies of the corporate action life cycle. We believe employing tools and systems that are data-driven, collaborative, agile, and sustainable will deliver the client-centric value proposition for which firms strive. Pooling together resources in a regulated and secure way via the cloud will ultimately support an array of business models, business growth, and business functions: a pivotal step toward reducing risk.

People

Employees across financial services have already demonstrated admirable adaptability. This new framework can accelerate workforce reskilling and agile ways of working, strengthening both client and employee relationships, whether face-to-face, remote or virtual.

Our research already shows a massive opportunity to create a healthier work/life balance for people while unlocking motivation and discretionary effort. The global pandemic has accelerated an already rising trend towards at-home working. COVID-19 restrictions make virtual working the only choice for many knowledge workers and any return to in-person working will likely be in a very different form. Here at Sionic we have both surveyed knowledge workers and worked with clients to develop new 'equip to lead' training and models of leadership that address the continued challenges of sustaining people and organisation performance in one of the most challenging of recent times.

> *When we start to evaluate corporate action risks from a people perspective, we must acknowledge the inherent issues that arise with expertise, replacement, reputation, and profitability*

The pandemic did not happen to technology, it happened to people. Even with the most advanced technology and automation, there are still elements of corporate action processing that require human enrichment and intervention. In this aspect the goal is not to become increasingly more certain but to become more prepared and, being prepared is what makes us ready; ready for immediate action which we know is a part of the new normal in the world of corporate actions. Often in an ever-changing environment, we change the system, we change the procedure, we change the timing, but we do not consider the change that must take place internally. That type of change requires a change in skill, a change in knowledge, a change in ability, and a change in thinking.

When we start to evaluate corporate action risks from a people perspective, we must acknowledge the inherent issues that arise with expertise, replacement, reputation, and profitability. As technology performs the task, it is up to the workforce to identify errors, breakdowns in the process, resolve failures, and go above and beyond what the system can achieve.

Decision making and cross training are aspects of the process that we all can play a part in and it is an equally essential part of the investment any firm can make to reduce risk and exposure and ensure sustainability and longevity. Every so often we become accustomed and conditioned to the old way of doing things, but the pandemic has taught us that there is value in becoming more expectant and less entitled. Having the right people in the right places is just as crucial as doing the right job right.

Our belief is that we must assess what we need to unlearn, relearn, and learn for the first time and in the approach, we must also consider the following: knowledge base, perspective, and skillset

With the extended experience of the pandemic comes new insight about who we are as an industry and what we are capable of when faced with adversity and uncertainty. But it is hindsight from the lessons learned and foresight to look to the future that puts us in a position to make critical decisions; decisions not just about our technical footprint but also about the resources we have available. Our belief is that we must assess what we need to unlearn, relearn, and learn for the first time and in the approach, we must also consider the following: knowledge base, perspective, and skillset.

Risk mitigation will require firms to acknowledge the social currency people can bring to the organisation and the intrinsic value they are equipped with. Placing them in a thriving environment with the necessary tools for success ultimately rescues the industry from the mundane fatigue we have all started to feel prior to the pandemic and throughout its duration. If there is one lesson that we can take with us on the journey forward it is that what got us here, will not get us to our next destination. People must evolve with the profession, and organisations must evolve with the industry. Our goal is to help shed light on the vision forward and to serve as a guide along the path.

Conclusion

COVID-19 has influenced every area of daily life. It has shifted our core sense of being, changed how we breathe, how we work, how we interact, and how we communicate. The conditions around us have simultaneously challenged our comfort and our capacity. Although unpredictable and concerning, it is our disposition that with change comes growth. The pandemic has pivoted us into long term thinkers tasked with finding answers to short term problems (and perhaps even vice versa). As a result, a time of slowing down has given us an opportunity to accelerate the industry shifts that were already on the horizon, from technological advancements, to revolutionising remote work, to reexamining our processes, and even cultivating global relationships.

So how do we build momentum on this new path? Our expertise tells us it will be through our people, processes and technology. If we do not keep making the effort, we must also question what will be the alternative result? Will we continue to struggle to go back to normal or will we create a new and improved normal as a byproduct of our perseverance? Without forward-thinking, we risk losing the gains made in the race against the pandemic. So let's start now, with an inventory of each of these aspects within our firms and then continuously build the balance in our infrastructure accounts.

We have all felt the personal effects of the pandemic and collectively will reflect on the before and after moments along the journey ahead. At Sionic, we are inspired by the people who have found unexpected resilience; in awe of the technology we rely on so heavily to keep the industry thriving, and proud of the legacy processes that have bought us this far. In an age of information — or the lack thereof (especially in the case of a global pandemic) — we believe it is critical to create a new vision and execute a new plan.

It's time to look toward the detailed mechanics and implementation of global harmonisation, cooperative data sharing, the use of AI, simplified yet cohesive booking models, condensed trade settlement cycles, and investments in people capital that will ultimately take the industry to its next destination. And as career experts in this field, we are excited by the journey that lies ahead.

Jim Monahan
Partner
Sionic

A dynamic component

Maddie Saghir reports

Private equity continues to grow and evolve amid an increasingly complex environment with new regulations and so the trend for outsourcing is becoming increasingly popular

In the years gone by, private equity has become global and mainstream; managers work internationally with global investors and investments, and across domiciles. In the backdrop, the financial services industry continues to implement complex regulatory structures, which is encouraging partnerships and outsourcing in this area.

Private equity is an alternative form of private financing, away from public markets, in which funds and investors directly invest in companies or engage in buyouts of such companies. As of June 2020, it represented some $4.7 trillion in assets under management, and this figure is expected to continue its rapid growth to $5.8 trillion by 2025.

"The private equity asset class has transformed over the last 30 years into one of the most dynamic parts of the financial services industry, involved in the biggest and most innovative deals in recent decades," says Gareth Smith, head of private equity Europe, Apex Group.

Smith explains: "Assets under management in private equity and dry powder ready to be deployed have built up as institutional investors of all types have been attracted by the compelling track record of strong, uncorrelated returns on offer in the low growth, low interest rate environment that has dominated since the global financial crisis of 2008."

As an administrator of private equity funds, Standish Management has observed a trend towards bigger global funds and smaller specialists. It has been identified that there is less in the middle ground than there used to be, which is mainly driven by limited partners (investors) wanting fewer relationships.

"If they can get good returns by signing a big cheque with a large fund, this is much easier than maintaining lots of relationships with smaller funds. So yes, there is definitely a trend towards bigger global funds. We are also seeing smaller upcoming managers," comments Mark Coppin, director at Standish Management.

He adds: "The private equity world has become much more reactive, it seems very keen to use the structures and the skills to react to economic trends. Looking over the past few years, when banks weren't lending, the private equity world quickly filled the gap with private debt funds, supplying credit to companies for example."

Private equity trends

Amid growth and evolution, data is one particularly hot topic in the private equity space at the moment. This is in line with advancements in the digitisation of underlying investment and fund data. Experts say general and limited partners expect transparency and real-time access to data.

"Fund administrators have continually adapted systems and portals, so the range and availability of data have also been greatly enhanced," says Paul Woods, regional executive North America, Alter Domus.

Meanwhile, regulations such as the EU's Sustainable Finance Disclosure Regulation (SFDR) are challenging managers to evolve and introduce processes to gather relevant environmental, social and governance (ESG) data.

Woods comments: "It's impossible to talk about data demand without discussing how to deploy integrated and fit-for-purpose technology. Private equity managers understand that advanced and integrated technology empowers managers to focus on what they do best – building relationships with investors and making deals."

Meanwhile, crypto funds are also becoming more prevalent and industry participants are seeing more fundraising activity in the crypto sector as the world continues to get more comfortable with allocating capital to this asset class.

"In Jersey, we continue to embrace fintech including blockchain and distributed ledger technology as a pioneer in fintech regulation and the Jersey Financial Services Commission licensed the world's first Bitcoin-focused, regulated fund (GABI Plc)," notes Alex Smyth, director, Oakbridge Fund Services (Jersey).

In the UK, one prominent trend is managers moving their fund domiciliation to Luxembourg. Due to Brexit, more funds are being set up in Luxembourg rather than the UK because they can use the EU marketing passport there. There is also an increase in the complexity of funds and the terms of them. According to Standish Management's Coppin, this is a reflection of investors getting smarter and negotiating harder to get special terms in side letters and agreements.

Coppin suggests managers have a more global outlook and are willing to look at opportunities in markets they wouldn't have considered in the past. Interest in Ireland as a domiciliation centre is very much on the agenda.

"I'm not seeing a lot of funds being set up in Ireland at the moment but it's certainly an area of very intense interest. A lot of people are keeping their eye on what's happening in Ireland right now because it has a more 'Anglo Saxon' way of doing business, than perhaps Luxembourg, and it's also English speaking. Therefore, it appeals to a lot of the private equity world which comes from an Anglo-American/English speaking background," Coppin says.

To outsource or not to outsource?

As private equity has evolved and become more complex over the years, outsourcing has become an increasingly popular option but experts stress the importance of choosing the right partner for this.

The utilisation and accessibility of data is of paramount importance when it comes to meeting the needs of general and limited partners and this is something that outsourcing partners can help with.

According to Woods, an outsourced partner with the right technology platform, fund administration expertise, service team depth and service commitment can provide a framework for private equity managers to absorb growth and meet investor needs.

Woods also notes that as managers have shifted to remote working, an outsourced model has enabled a greater degree of data integrity and security, while allowing for more flexible and transparent communication with investors.

Meanwhile, one disadvantage of outsourcing is the sacrifice of internal resources. This is why, according to Coppin, it is extremely important to select the right administrator as you need somebody that's going to work in genuine partnership with you and deliver on the things that are really important to you.

Coppin explains there are different models of outsourcing; sometimes you outsource to people and then it is outsourced again to another team that may be remote from the client.

At Standish Management, the focus is on delivering to clients on a local level as local accountability can greatly improve the service. "Our people are based in London so our clients can sit down with them and talk through numbers and issues, you don't have to get on a Zoom call or be reliant on emails in different time zones," states Coppin.

He adds: "There are disadvantages if you get your choice of administrator wrong. You need to get a true partner that's going to work with you and be a part of your team. It is the administrator's role to deliver peace of mind."

Regulation

In the regulatory space, SFDR is aiming to improve consistency and strengthen existing policies on sustainability risks. With regulations, like SFDR, increasingly being introduced and evolving, the emphasis on reporting has been ramped up. Through 2021 and 2022 the reporting obligations increase with, by June 2022 a quantitative report must be published covering 32 mandatory and 18 optional ESG metrics (some jurisdictions are encouraging earlier compliance).

Spencer Goss, director, RBS International Institutional Banking, cites: "General partners are experienced in reporting accurate financial data, however, the variety of ESG metrics needing to be monitored under this new regulation is likely to prove challenging."

Regulation will require firms to have a service provider who spends time working directly with regulators and understands the supervisory environment across multiple jurisdictions to ensure that private equity firms remain competitive and aware of any changes to the regime in advance.

This allows them to adapt more easily and remain in full compliance at all times.

From Oakbridge Fund Services' perspective, Smyth says: "We are seeing the continued development of larger, and some of the smaller bespoke, fund administration software providers to ensure their solutions offer an easier and more flexible approach to being able to extract data from these systems in order to furnish the relevant regulators with the reporting information and formats that they require."

Weighing in on this, Nigel Strachan, head of private equity sales, Europe, Apex Group, highlights that a global fund administrator will have a strong and experienced regulatory team providing a global view of regulation, in addition to understanding local requirements and local relationships.

Strachan comments: "As reporting requirements have increased in recent years, so has the disclosure burden on alternative investment firms. For example, the rising demand for environmental, social and governance (ESG) investing has seen an increase in flow into new strategies in the space and has increased scrutiny of existing funds' credentials.

As such, ESG reporting has become essential for private equity funds and an additional service that managers are expected to provide," he adds.

Challenges and opportunities

As the private equity asset class continues to evolve and grow, both opportunities and challenges have intensified. In line with its growth, experts suggest that regulators and investors are showing greater scrutiny.

As well as this, greater competition is putting pressure on fees and forcing private equity firms to look for more efficient ways to manage their funds and portfolios to cut costs.

Challenges were further amplified by the pandemic which caused immediate and significant disruption in the private equity industry. For example, Smith says fund managers suddenly had to prioritise business continuity, ongoing regulatory compliance and maintaining business as usual while facing practical obstacles like implementing working from home infrastructure, lack of face-to-face meetings and liquidity shortfalls among portfolio companies.

"As such, general partners have become increasingly reliant on their administrators during this time and are continuing to seek out the help of administrators to weather further market turbulence," comments Apex's Smith.

In terms of opportunities, Smyth identifies that with the emergence of a number of innovative tech start-ups, which many have proved to be lucrative investments for private equity houses, such as Deliveroo, Uber and DoorDash, it is expected that there will be more opportunities in this digital age for these type of investments for private equity firms to produce excellent returns for their investors.

Smyth cites: "In particular we at Oakbridge Funds are keeping a close eye on the fintech subsector and the increasing conformity to digital currencies and solutions as increasing opportunities for private equity firms."

Coppin concludes: "The sector itself remains attractive. There are good returns to be had for investors and so the sector continues to grow, and I don't see that letting up anytime soon."

"Generating returns, diversifying your portfolio and adding potential higher returns for your investors will mean the asset class will continue to remain attractive."

Prevention is better than cure

Maddie Saghir reports

CSDR SDR is set to improve settlement efficiency, but disparity remains among market participants in terms of readiness for the regulation. However, one thing is certain — prevention is better than cure

Introduced in 2014, the Central Securities Depositories Regulation (CSDR) supplies a set of high and consistent standards across compliant CSDs.

This provides assurance from the regulators to investors that stringent measures are in place to ensure the security of their assets and the efficiency of transactions. The regulatory framework aims to bring risk and cost reduction benefits to financial markets as a whole.

In February 2022, the third phase of CSDR, the Settlement Discipline Regime (SDR), will be rolled out. SDR is set to provide common requirements for CSDs operating securities settlement systems across the EU, with the aim of harmonising aspects of the settlement cycle and mitigating settlement risks.

But with less than a year to go before the SDR go-live, confusion and concerns remain around the practical processes that will need to be followed for the buy-in regime.

DTCC's director of institutional trade processing product management Matt Johnson suggests the level of preparedness varies considerably depending on the size of the firm.

"Large sell-side and buy-side firms seem to have made good progress with their preparations. However, some smaller regional brokers and buy-side firms appear to be lagging. With less than 10 months to go before implementation, this is concerning," Johnson says.

Mandatory buy ins

Among the SDR measures to improve settlement efficiency is the provision for mandatory buy-ins. It has been argued that buy-ins, whether regulatory or contractual, should be discretionary and not mandatory.

A buy-in is a 'contractual remedy' available to a purchasing counterparty of financial securities in the event that the selling counterparty fails to deliver the securities. The aim is to restore the counterparties to the transaction to the economic position they would have been in had the original transaction settled.

Recent responses from the European Commission's CSDR consultation found that 51 out of 91 respondents want the buy-in regime to change from a man-

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datory requirement to a voluntary one. Responses from the consultation, which ran from 8 December last year to 1 February this year, also showed that 14 respondents requested the buy-in regime be retained while 26 either did not respond or were neutral. Meanwhile, 69 respondents felt that a revision of the SDR, which the buy-ins fall under, is necessary. Only seven were in disagreement.

Discussing the opposition to the mandatory buy-in protocol, Matthew Pountain, head of product management, European post-trade, Broadridge Financial Solutions, says there are three main aspects to that.

"One is practical; at the moment it looks very difficult to implement, transactions often exist as part of a chain and many people will find themselves at the mercy of other parts of the full end-to-end asset flow. Another is cost; operationally it will require significant additional effort at a time when the industry is still not making its target returns. And then of course there are the service/relationship management aspects — invoking a buy-in against a key client is not really a conversation that account managers want to be having," affirms Pountain.

Daniel Geddes, global head of product management, Torstone Technology, also highlights that it will cause problems with the chain, suggesting that the buy-in protocol is "problematic in many ways".

Where a central clearing counterparty (CCP) is in a transaction chain between the buyer and seller, a buy-in notice cannot be passed through the chain as CCPs themselves cannot be bought-in, which Geddes explains is a concern to broker dealers exposing themselves to the risk of being bought-in by their customers, but not being able to pass this on down the chain to the ultimate failing party. Furthermore, where an order fails to settle over a long period of time this can often be attributed to a lack of sellers in the market and the unavailability of stock to borrow.

Geddes suggests that passing this responsibility onto another party will not bring new liquidity to the market, it will just move the problem to someone else at great administrative cost.

Prevention is better than a cure

In addition to the troubles and doubts around the buy-ins, some industry experts have argued that the CSDR itself has still not brought about any real changes in behaviour just yet.

> *When we start to evaluate corporate action risks from a people perspective, we must acknowledge the inherent issues that arise with expertise, replacement, reputation, and profitability*

Speaking during the panel at the DTCC CSDR Series 2021 in March, Martin Smith, head of Europe Middle East and Africa and Asia Pacific (APAC) trade support, BNY Mellon, said: "The industry would like to start seeing trade fails come down to the point where the industry's investment into this space will kick in but I'm certainly not seeing this yet."

He warned that if the industry does not see this towards Q3 2021 then February next year could be a worry.

Broadridge's Pountain says: "I think that's true. While CSDR has certainly added focus to the need for improved processes to manage settlement, there has been a tendency to focus on dealing with the fines or the buy-in process rather than avoiding failures in the first place. Unfortunately the COVID-19 pandemic has really given firms a lot to deal with this past year, and that has probably left some of them addressing what they 'must' do rather than what they 'could' do."

DTCC's Johnson observes: "There seems to be a great disparity among market participants in terms of readiness for the regulation. However, one thing is certain — prevention is better than a cure. Therefore, firms would benefit from automating as much of their post-trade processes as possible ahead of the SDR implementation date in February 2022."

This includes adopting automated solutions for the management of standing settlement instructions (SSIs), as inaccurate SSI data is often a primary reason for trade failures.

According to Johnson, focusing on improving same day matching and affirmation capabilities would also be beneficial, to ensure trades are instructed accurately on execution date, and to allow time for inventory management and exception resolution.

Challenges and benefits

Experts anticipate challenges in herding the entire industry in the right direction at the same time and momentum with the regulation.

In the short term, Karan Kapoor, head of regulatory change and regtech at Delta Capita, anticipates implementation of teething challenges around processing new penalty messages, new claims processes.

"The buy-in regime as it currently stands, if it goes live, will create confusion due to the lack of buy-in agent options in the market, likely impacts to the liquidity of low liquidity instruments — as the fear of buy-ins will deter the sell side to make markets in such instruments such as low liquidity debt instruments," he says.

The time and effort spent on resolving unmatched and/or failing trades is costly and will require many firms to provide up-front investment in process improvements, according to Kapoor.

In terms of benefits, of CSDR's SDR, experts say that the focus on the full settlement lifecycle, which really starts right from client-onboarding, will drive up straight-through processing (STP) rates and ultimately reduce costs.

DTCC's Johnson adds: "Because of the threat of financial penalties for late settlement, market participants are taking a very close look at any inefficiencies in their post-trade processes, which have created operational costs and risks for many years. We anticipate that many firms will address long standing manual or operational challenges in advance of CSDR, bringing new levels of efficiency and risk reduction."

The long-term view

While some of the immediate challenges and benefits of CSDR's SDR seem clear, questions have been raised in regards to whether the industry is proactively building on what the long term view will be and whether tactical decisions are being made in this regard. Kappor believes industry participants definitely realise the benefits of long term strategic thinking while addressing the CSDR SDR challenge. However, as the industry is facing significant cost constraints, it is a case of striking a careful balance.

"We'd have to say that in our experience a hybrid approach is being taken. Tactical steps are definitely being pursued to get compliance ready in time but phased strategic initiatives are also being mobilised. As a firm that provides cutting edge technology solutions as well as consulting services — we are finding ourselves best placed to support clients with both approaches," says Kapoor.

Johnson suggests that while a tactical approach to responding to regulatory change may be less daunting in the short-term, it will likely be more costly and onerous in the mid-to-long term.

He says: "Market participants should aim to respond to CSDR by building a post-trade infrastructure based on a medium-to-long-term view, which could ensure it is both future-proofed and scalable."

Weighing in on this, Pountain notes that there is a risk that specific builds directly tied to regulatory compliance could prove to be 'tactical' or at least 'sub-optimal' given the current lack of clarity on how market practice will evolve to implement the regulations, but really any investment a firm is making to improve its settlement efficiency and STP rates should pay dividends anyway.

Faster settlement

With lots of hard work and effort going on in this space to ensure a smooth go-live date for CSDR's SDR, some industry participants believe CSDR is going to work towards moving towards faster settlement times as well as greater risk elimination. DTCC has made it clear that it supports a move to T+1 for securities transactions due to the benefits it will deliver, such as significant risk reduction and a lowering of margin requirements, as well as capital and operational efficiencies.

Whether other markets follow suit remains to be seen but, as the saying goes, "nothing good happens between trade date and settlement".

Johnson highlights that if settlement time can be reduced to T+1, there will be a number of benefits including a subsequent reduction in both operational risk and cost while freeing up capital.

Pountain concludes: "Bringing greater efficiency, improving STP rates for the settlement lifecycle should certainly enable the adoption of T+1 as standard settlement practice. Moving further to T+0 or beyond to real-time settlement brings very different challenges, not least in market liquidity, that will need to go beyond optimising current processes in order to resolve. I believe those changes are coming but on a much longer time horizon than moves to T+1."

Debbie Lee, formerly of TMF Group, has been appointed as country head, China for Apex Group, a global financial services provider.

Based in Shanghai, Lee will report to Valerie Mantot-Groene, head of Asia Pacific (APAC). She will be responsible for driving the firm's growth and performance across the APAC region.

Most recently, Lee served as market lead of fund services at TMF China. In this role, she led the delivery of services to international corporations with a focus on hedge funds, private equity and real estate and venture capital clients.

Prior to that, Lee spent over a decade in various China-stationed consultancy roles.

Apex says Lee's appointment represents its continued commitment to growth in the Chinese market and commitment to providing clients with locally delivered solutions.

The company's solutions include banking, depositary, custody, fund administration, corporate solutions and environmental, social and governance (ESG) services.

This appointment follows Apex's recent hire of Claudia Bolanos,who joined the firm's Hong Kong business as head of corporate services, APAC, bringing over a decade of business development and operational experience in the APAC market.

Commenting on Lee's appointment, Mantot-Groene says: "We are pleased to welcome Debbie Lee to lead our China business at a critical time in the growth of our locally delivered financial services offering. With her broad skill set as well as her notable connections and more than 20 years of experience in investment management, Lee will play a key role in supporting our strategic goals by effectively communicating the benefits of our unique single-source solution to this strategically important market," adds Mantot-Groene.

Hong Kong Exchanges and Clearing (HKEX) has appointed Lisa O'Connor as managing director and head of post trade change.

O'Connor will be reporting to Glenda So, head of post trade. At HKEX, she will be working across HKEX's clearing and settlement system initiatives, helping to leverage new technology to expand the exchange's post-trade services and enhance its service offering and process efficiency.

O'Connor, who joins with almost 25 years of experience in the financial services industry, most recently worked as SWIFT's head of capital markets strategy, global.

At SWIFT, O'Connor also served as managing director, head of standards and capital markets for Asia Pacific.

During her career, she has also worked as Standard Chartered Bank's managing director and head of securities services.

Commenting on O'Connor's appointment, So says: "Lisa O'Connor brings extensive expertise in initiating, leading, and executing strategic initiatives in post trade and middle office, and I am looking forward to working with her as we continue to strengthen and advance Hong Kong's role as an international financial centre."

U.S. Bank has promoted John Stern to president of global corporate trust and custody within the bank's wealth management and investment services.

The promotion comes as the current president of global corporate trust and custody Joseph Giordano announced his plans to retire this summer. Giordano has been with U.S. Bank since 2010 and the bank says has played a critical role in building and growing the industry-leading global corporate trust business.

Stern, who currently serves as U.S. Bancorp Corporate Treasurer, will assume his role on 17 May.

In his current role, he leads the team that executes all of U.S. Bank's treasury functions, including liquidity, capital, interest rate risk, investment portfolio, derivatives, and wholesale debt issuance.

This also includes operations, internal funds transfer pricing, net interest income forecasting and quantitative balance sheet and capital markets modelling.

Stern has been with U.S. Bank for 20 years and has risen through the ranks in corporate treasury while building a record of leadership and success.

"As corporate treasurer, John Stern has helped strengthen our reputation and solidify our position as one of the highest-rated financial services companies in the world," says Gunjan Kedia, vice chair of U.S. Bank Wealth Management and Investment Services.

According to Kedia, he brings extraordinary intelligence, judgment and acumen to this role through his extensive knowledge of the financial services industry and insights into global capital markets.

Kedia continues: "Sterns background gives him a deep understanding of our clients' needs and products and services in the corporate trust and custody market. Stern is a relatable and empathetic leader who builds and develops strong teams and epitomises the values of U.S. Bank. I am thrilled he is joining our team."

Credit Benchmark, the leader in consensus-based credit analytics, has appointed Thomas Gilligan as chief commercial officer.

Based in New York, Gilligan will lead the firm's global commercial team and will be responsible for global go-to-market strategy and distribution channels.

Gilligan joins Credit Benchmark from IHS Markit where he was head of Americas equity sales.

During his career, he has gained expertise in the risk data and analytics space, having served as a founding member of the IHS Markit alternative data committee.

He joined IHS Markit in 2012 as part of the acquisition of Data Explorers. Prior to Data Explorers, he worked closely with the Prime Brokerage clients of Morgan Stanley and Lehman Brothers.

Donal Smith, co-founder and chairman at Credit Benchmark, comments: "Thomas Gilligan brings a track record of commercial success with a critical understanding of our customers' requirements around risk and data."

Smith says: "We are thrilled to have him in this newly created role accelerating our growth efforts as we expand our market reach organically and across third party data distribution partners."

Northern Trust has named James Wright as head of its Institutional Investor Group (IIG) for Europe, the Middle East and Africa (EMEA).

In this capacity, Wright will be responsible for driving the strategic direction and growth of the group across the region.

Previously, he worked as head of IIG UK, Middle East and Africa.

Wright has 30 years of experience in the asset servicing industry and has spent the past four years at Northern Trust. Prior to joining Northern Trust, he held a range of senior leadership roles at J.P. Morgan in its investor services division. His career has included management roles in Australia and Asia. Wright is a member of Northern Trust's Europe Middle East and Africa (EMEA) executive management committee.

The appointment underscores Northern Trust's growth and focus on supporting the evolving front, middle and back-office needs of pension funds, insurance companies, not-for-profit organisations, central banks, sovereign wealth funds and other inter-governmental agencies across EMEA.

Northern Trust's IIG group provides services to over 330 clients with collectively $2.3 trillion in assets under custody across EMEA, as of 28 February 2021.

Deutsche Bank has hired Samir Dhamankar as head of securities services and global transaction banking in Indonesia.

Based in Jakarta, Dhamankar will be responsible for spearheading the bank's fund administration and custody businesses in this market.

He will also oversee Deutsche Bank's Global Transaction Banking franchise in Indonesia, which includes corporate cash management, trade finance and institutional cash management services.

Dhamankar has been part of Deutsche Bank's Securities Services business in India for 14 years, working in leadership roles across product management, sales and market advocacy functions. During his 27-year career, he has worked for several financial institutions in India in the banking and capital markets segments. He is an experienced financial market professional who has participated in many regulatory and market infrastructure forums as an industry expert.

Anand Rengarajan, Asia Pacific head of securities services at Deutsche Bank, says: "We are delighted to see exceptional talent like Samir Dhamankar embrace new career opportunities across borders within our bank. Indonesia is one of our fastest growing markets and his product and market expertise will be invaluable in his new role."

Siantoro Goeyardi, chief country officer, Indonesia at Deutsche Bank, comments: "As Indonesia remains one of the most attractive destinations for emerging markets investors allocating capital to Asia and as global companies are expanding their presence in Asia, we are well positioned to help our local and multinational corporate and institutional clients with their banking needs in Indonesia, with our long-standing and growing franchise."