asset servicing times
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Under the spotlight

The pandemic and the Robinhood saga have put operational risk in asset servicing under the spotlight

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Alexandre Kech is to step down from his role as CEO of Onchain

Citi observes steady increase in adoption of APIs

Citi Treasury and Trade Solutions (TTS) Asia Pacific has revealed it processed close to 350 million application programming interface (API) calls for corporate clients since the launch of APIs for corporates in 2017. APIs facilitate the execution of a range of functions that support real-time banking experience as corporate clients digitise their businesses.

Citi's APIs for corporates are offered through TTS' CitiConnect solution, and include more than 80 APIs, covering both data-driven and transaction-driven APIs.

Data-driven APIs support self-servicing needs, such as producing reports and providing real-time foreign exchange information to a client, as well as account services incorporating proof of payments to clients.

Transaction-driven APIs facilitate payment transactions, including instant payments and collections, request-to-pay transfers, and WorldLink transfers.

In 2020 alone, Citi says TTS Asia Pacific doubled its API client base year-on-year and grew API call volumes by 52 per cent in the same period.

According to Citi, momentum has continued through to this year.

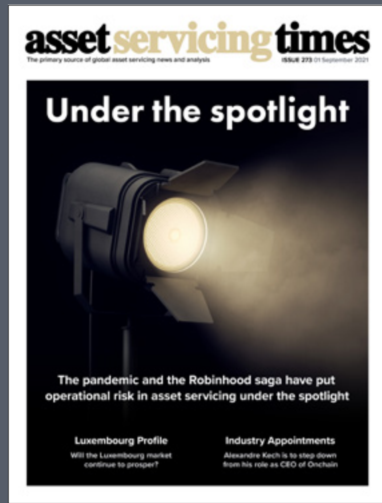
In the second quarter, the business' API client base grew 45 per cent year-on-year.

Citi further explains that APIs that support account services have also seen notable increases in usage.

In the first half of the year, Account Balance Inquiry API call volumes grew by close to 2.4 times compared to the same period in 2020. Account Statement API call volumes rose by 64 per cent in the same period.

Citi highlights that this was due to clients increasingly adopting real-time processes and enabling faster reconciliation of transactions.

Sanjeev Jain, Asia Pacific head of payments and receivables, TTS, Citi, comments: "APIs provide instant, seamless and direct connectivity between Citi's and clients' platforms and systems."



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Data silos, scalable reporting and increased complexity emerge as the biggest regtech challenges, survey finds

A survey conducted by Clear Path Analysis has found the biggest regulatory technology challenges for investment managers' chief operating officers (COOs) to be data silos, scalable reporting and increased complexity. The COVID-19 pandemic, Brexit, new environmental, social and governance (ESG) requirements, as well as increased mergers and acquisitions activity, are exposing significant regtech challenges for investment management firms, the survey found.

Integrating disparate internal datasets housed in different departments and external datasets sourced, managed and held in a variety of different systems, is one of three major regtech challenges.

Additionally, the growing regulatory reporting requirements in dozens of different jurisdictions have required firms to leverage advanced technologies, such as artificial intelligence and machine learning, just to keep pace with global requirements.

BNY Mellon and SNB Capital begin global securities services in Saudi Arabia

BNY Mellon and SNB Capital have partnered to launch global securities services in Saudi Arabia. The merger will enable the partners to arrange and deliver such services to institutional and large asset owners based in the country. SNB Capital, Saudi Arabia's largest custodian, is the securities, asset management and investment banking arm of Saudi National Bank.

As part of the agreement, SNB Capital will leverage BNY Mellon's global custody, asset servicing, data and technology capabilities, providing asset owners with access to asset classes across local, regional and international markets. The partnership follows NCB Capital's merger with Samba Capital, when the former was renamed SNB Capital.

Loai Bafaqeeh, managing director of the securities division at SNB Capital, says: "The activation of our alliance with BNY Mellon fully enables SNB Capital's securities services platform, further extending our leadership position in the local custody arena. We are excited about the additional services that we can now offer our clients, including local and global custody, administration, securities borrowing and lending, and clearing. Our collaboration with BNY Mellon will also enable us to offer clients market-leading custody and consolidated reporting solutions, all the while complying with the relevant cyber-security regulations."

Anthony Habis, head of Middle East and Africa at BNY Mellon, comments: "BNY Mellon has been serving clients in the region for over 100 years and we are excited to work together to meet the increasingly sophisticated demands of the Kingdom of Saudi Arabia's institutional clients to provide data solutions, technological expertise, and breadth of experience." ■

The survey also found that a host of new regulatory mandates, such as changing short-selling rules and evolving ESG disclosures, has forced a need for hyperlocal domain expertise. Consequently, COOs are relying more on regtech firms to provide this capability.

COOs from 20 different firms took part in the study that was conducted by AxiomSL.

Hopeton Lindo, director of client relationship and asset management at AxiomSL, says: "We undertook this industry analysis with Clear Path Analysis to further understand the industry pain points and uncover the ways in which leaders are staying one step ahead to future-proof their risk and regulatory reporting programmes."

"We found that change is indeed the only constant in the realm of global regulatory reporting, but the industry is also embracing new regtech solutions to manage that challenge."

Noel Hillmann, CEO of Clear Path Analysis, comments: "To stay compliant in the current regulatory landscape, investment management firms need to source and produce larger amounts of granular data with greater frequency than ever."

He adds: "Throughout our interviews with industry COOs we consistently found that a combination of globally accessible technology and deep domain expertise is key to keeping pace in this environment."

Apex Group closes acquisition of BRL Trust

Global financial services provider Apex Group has completed the acquisition of BRL Trust Investimentos (BRL Trust), an independent fund administrator in Brazil.

With the acquisition, BRL Trust's clients can now benefit from access to the group's single-source solution, including an extended range of products and markets, serviced by more than 5,000 people across 50 offices worldwide, Apex explains. Additionally, this acquisition expands Apex's growing presence in the Latin American market, adding 160 new colleagues and a new office in São Paulo, and supplements its local market private equity expertise, while adding liquid asset servicing capabilities for Brazil.

BRL Trust's client base includes large international institutional investors, sovereign wealth funds, private equity firms, large conglomerates and financial institutions, as well as prominent domestic investors including asset managers, single and multi-family offices, banks, insurance companies and other professional investors.

The BRL Trust business adds R$233 billion (USD $44.4 billion at current exchange rates) in assets under administration and R$195 billion (USD $37.1 billion at current exchange rates) in assets under custody, across 560 international and Brazilian investment funds.

This deal complements Apex's previous announcement of its intent to acquire MAF, the fund administration business of the Brazil-based Banco Modal, with regulatory approval expected in Q3 2021.

Peter Hughes, founder and CEO of Apex, comments: "The Latin American market is a strategic priority and opportunity for us and our international client base, as we continue our global growth. With the acquisition of BRL, Apex now becomes the largest independent services provider in the Brazilian market.

The close of this acquisition means we can now support our clients, whether they are looking to raise, operate and invest funds in and between Brazil and the international markets. We are delighted to expand our footprint to Brazil so that Apex continues to be the global provider of choice for managers on every continent."

Danilo Barbieri, co-CEO of BRL Trust Investimentos, adds: "We see significant opportunity for further growth both domestically as one of the leading fiduciary service providers in Brazil, and internationally. As part of the Apex Group we can now offer our clients the broadest depth and range of services in the industry as we benefit from being part of an established, global financial services group, with over 50 offices worldwide."

State Street's Collateral+ goes live with DTCC's Margin Transit Utility

State Street's Collateral+ business is now operational with the Depository Trust and Clearing Corporation's (DTCC) Margin Transit Utility (MTU).

According to State Street, by leveraging MTU, its Collateral+ business will now be able to more efficiently validate, enrich, settle, report and monitor third-party collateral.

State Street says it will be able to do this while easily connecting to and sharing information with multiple counterparties on behalf of its clients.

MTU has been designed to simplify the transfer of collateral among market participants.

The service helps reduce operational risk by standardising and automating the margin process from the point of agreement through to settlement.

Additionally, State Street says MTU helps eliminate the need to use faxes and emails for processing margin and settlement activity.

According to Staffan Ahlner, global head of Collateral+ for State Street, this functionality is expected to be essential to State Street's efforts to improve operational efficiency and remove unnecessary complexity, thereby mitigating overall risk and enabling collateral to be released more quickly.


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Ahlner comments: "We continue to focus on making key investments in all areas of the firm's collateral optimisation group, and given the recent and continuing market volatility, coupled with the final phases of uncleared margin rules (UMR) for over-the-counter (OTC) derivatives, an increasing number of our clients are looking to replace manual processes with new tools that focus on automation such as DTCC's MTU."

UMB Fund Services partners with Alternative Fund Advisors

UMB Fund Services has been selected to provide fund accounting, tax reporting and fund administration services for Alternative Fund Advisors (AFA), while UMB Bank will provide custody services.

As part of the new partnership, UMB will service the AFA Multi-Manager Credit Fund, AFA's first registered closed-end interval fund.

Founded last year, AFA was launched with the purpose of offering institutional-quality private investment strategies in an interval fund format to registered investment advisors, family offices, and wealth advisors at private banks.

Maureen Quill, executive vice president, executive director of registered funds at UMB Fund Services, comments: "We are pleased to provide a suite of services to support Alternative Fund Advisors' first registered closed-end interval fund."

Quill continues: "In addition to accessing our award-winning fund administration and custody services, AFA will be able to take full advantage of our high-touch client service as they continue to grow and evolve their product."

Meanwhile, Marco Hanig, managing and founding principal, CEO at AFA, says: "From the beginning of our partnership, UMB Fund Services has demonstrated their steadfast commitment to client service by helping us through the challenges associated with launching a closed-end interval fund."

"We are confident that UMB Fund Services is the right partner to have in our corner for the AFA Multi-Manager Credit Fund," Hanig adds.

This appointment follows Hamilton Lane's recent selection of UMB Fund Services' to provide administration, fund accounting and custody services to certain registered and private funds.

Clearstream secures CSDR licence for its German CSD

Deutsche Börse Group's post-trade services provider Clearstream has obtained the Central Securities Depositories Regulation (CSDR) licence for banking services for Clearstream Banking AG, its German central securities depository (CSD).

The authorisation is effective from 24 August 2021 and represents the final step in achieving full CSDR compliance for all of Clearstream's CSDs.

The licence was granted by the German Federal Financial Supervisory Authority, BaFin, pursuant to Article 54 of CSDR which gives authorisation and designation for companies to provide banking-type ancillary services.

CSDR was initiated with the goal to make markets more stable, transparent and efficient by regulating securities settlement and settlement infrastructures across the EU.

The first phase of CSDR entered into force in 2014. Industry implementation of its CSD-specific measures is ongoing.

Clearstream's German CSD, international CSD (ICSD, Clearstream Banking S.A.) and Luxembourg CSD (LuxCSD S.A.) already hold licences in accordance with Article 16 of CSDR.

Article 16 of CSDR requires that any legal entity that falls within the definition of CSD shall obtain an authorisation from the competent authority of the member state where it is established before commencing its activities.

Suntera Global has acquired Reference Financial Services

Suntera Global has acquired Reference Financial Services SA (Luxembourg), a boutique fund administration and corporate services firm.

The acquisition, which is subject to appropriate regulatory approvals, will add to Suntera Global's client base, strengthening its presence in EU markets to support its growth strategy.

Suntera has offices in Jersey, Cayman, Bahamas, Isle of Man, Malta, Hong Kong and Switzerland.

Founded in 2003, Reference Financial Services SA (Luxembourg) is a provider of boutique fund administration and corporate services to Luxembourg-based entities.

Reference's principal activity is the provision of boutique fund administration and corporate services, providing a full suite of services including central administration, corporate administration, accounting and tax compliance, family office, directorship, company secretarial, domiciliation and incorporation.

The firm also assists in the incorporation of Luxembourg funds and companies and in their liquidation.

Reference has a global client base active in private equity, real estate, intellectual property, energy trading, e-commerce, wealth management, advisory services and maritime and ship financing.

Olivier Jarny and Cedric Raths, co-owners and managing partners at Reference, say: "Our decision to join Suntera Global is an exciting move designed to provide our clients with access to a depth of additional expertise in many other key markets where we are not currently represented, while maintaining the same high-quality level of personal service but with a shared focus on responsibility and ambition."

Commenting on the acquisition, Paul Mundy, managing director of the funds division at Suntera Global, comments: "Reference is an ideal fit for Suntera Global since they closely match our own service ethos."

"The acquisition further fuels our strategic expansion plans, provides us with an additional key footprint within EU markets and enhances our client service proposition." ■

SWIFT reveals keynote speaker for Sibos

SWIFT has revealed that HSBC's group chief executive Noel Quinn will be the opening keynote speaker for Sibos 2021, one of the largest banking and technology conferences in the world. Quinn has been with HSBC — or its constituent companies — since 1987. He was appointed to his current role in March 2020.

HSBC says Quinn has extensive breadth and depth of expertise, having previously led a number of business lines within the HSBC Group. Additionally, Quinn brings a global perspective to Sibos, with experience spanning Asia, the US, and Europe.

The theme for Sibos 2021 is Recharging Global Finance, and experts in banking, payments, securities services, technology, and fintech will share insights and facilitate debate on four interconnected sub-themes.

The four sub-themes are digital acceleration, managing risk, transformative technology, and banking on change.

SWIFT, the organiser of the event, announced in March that the event will run from 11 to 14 October and will be "a free and digital-only event for 2021 to ensure the safest and best possible experience for the global Sibos community".

Chantal Van Es, head of Sibos, says: "We are delighted Noel Quinn will open this year's Sibos and share his unique perspective on the future of the banking industry. This will provide invaluable insights for our delegates and set them up for a packed week of debate and learning."

According to Van Es, Sibos will analyse the most pressing topics of our time, from banks' contribution to society, to the most cutting edge technology and how it can be deployed effectively and responsibly.

"With Sibos again taking place digitally this year we will be launching a number of initiatives to make Sibos immersive, and enable delegates to learn as much as possible from our first class line-up of speakers," Van Es adds. ■

AMR Action fund picks Vistra for fund administration services

AMR Action Fund has appointed Vistra to provide its fund administration services as part of a wider effort to accelerate the global development of new antibiotics.

Vistra will support the AMR Action Fund across its entire fund structure, its special purpose vehicle and its portfolio investments.

Read the full article online

Northern Trust identifies global shift to an ESG mindset

Environmental, social and governance (ESG) in the future may look very different from today, as all regions continue their commitment to responsible investments, according to Northern Trust's new whitepaper.

The paper affirms that "getting started today is key to keeping pace with this global force".

Read the full article online

Investment in technology and data infrastructure is the answer for pandemic recovery, survey finds

A Temenos survey has found that investments in technology and data infrastructure sit at the top of asset managers' priorities to deliver business growth in the recovery from the COVID-19 pandemic. The study found 56 per cent of asset managers say their investment will focus on the aforementioned areas over the next 12 months.

Read the full article online

Allvue Systems selects Snowflake for new data solution

Alternative investment technology solutions provider Allvue Systems has partnered with data cloud company Snowflake.

Snowflake will provide a centralised data cloud to enhance and simplify clients' data storage and processing capabilities across business lines and asset classes.

Read the full article online

KGiSL awarded back-office contract by Stock Exchange of Thailand

The Stock Exchange of Thailand (SET) has awarded India-based IT solutions provider KGiSL a contract to provide a back-office platform for Thailand's brokers via its solution, Dolphin.

KGiSL's offering will be hosted by SET and made available to all capital market brokers in Thailand.

Read the full article online

Ocorian acquires Trust Corporation International

Ocorian has enhanced its presence in Guernsey with the acquisition of Trust Corporation International, subject to regulatory approval.

Trust Corporation International is one of Guernsey's fiduciaries, specialising in proactive planning, wealth administration and corporate services.

Read the full article online


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Under the spotlight

Over the past 18 months, the pandemic and the Robinhood saga have put operational risk in asset servicing under the spotlight, as experts say replacing legacy systems and treating operational risk holistically will help companies manage it with greater robustness

Maddie Saghir reports

The COVID-19 pandemic and the Robinhood saga have put operational risk under the spotlight over the past 18 months. Operational risk relates to the actual losses that can occur as a result of inadequate or failed internal processes, people and systems, or from external events.

In 2001, the Basel Committee Banking Supervision outlined it wanted to enhance operational risk assessment efforts by encouraging the industry to develop methodologies and collect data related to managing operational risk.

But now, with moves to Basel III, there have been changes regarding how operational risk capital (ORC) is calculated. Banks will need to ensure their internal loss data is as accurate and robust as possible to substantiate their calculated internal loss multiplier.

Meanwhile, operational risk managers will have the opportunity to reduce the existing and future ORC by focusing efforts on managing and reducing actual operational losses. Embracing new technologies and techniques will be key in grasping the value of operational risk programmes under Basel III.

As Deloitte states: “A bank’s infrastructure for operational risk management should leverage automated workflows to continuously monitor for emerging problems and ensure the right people receive the right information in a timely manner, enabling them to respond quickly and effectively."

Asset servicing carries a large amount of operational risk due to the multi-layered value chain, which includes the movement of data and instruction information from issuers to agents, custodians, broker-dealers, fund managers and end-investors — and this all happens within critical timelines.

Operational risk in asset servicing can result from missed or incorrectly processed corporate actions, proxy and class action events. The extent of the financial loss may be determined by position size, event type and market price change for a particular security.

"Every asset servicing operation carries risk, but the level of risk is determined by workload versus headcount, automation versus manual processes, as well as staff knowledge, seasonality and the capacity to accommodate market and business change at a manageable cost," explains Neil Sheppard, global head of business development asset servicing, SmartStream.

The primary sources for 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 intercompany booking models, and higher corporate action processing volumes driven by an increase in announced events and growth in trading activity.

John Byrne, managing partner, Sionic, says: "When you consider each of these factors and couple them with outdated systems and inefficient manual processes, they will incrementally add to the burden within organisations compounding the associated risk exponentially."

Sailing through stormy seas

Managing operational risk can be difficult amid a changing environment, as seen with the COVID-19 pandemic. During the first phases of the pandemic, weaknesses became quickly apparent within the financial services space. Many of these weaknesses can be put down to legacy practices. Describing some of the drawbacks of legacy systems, David Smith, senior director, Broadridge professional services, explains: "First, there is fragmentation of systems, and manual reconciliations are often required between systems — each one of these hops between systems can be a point of failure. Second, legacy systems do not have robust data traceability built into them, so errors can become difficult to identify, diagnose and fix."

Bill Meenaghan, product director, securities processing, IHS Markit, explains: "Legacy systems can be cumbersome to work with to change capabilities. The code may be quite old and there can often be inherent security flaws."

As industry requirements change, it may be hard to change legacy systems to keep up with these requirements which can make processes less efficient. Therefore improving, or at a minimum keeping up with, operational risk management best practices can be difficult.

"New technologies that are released may not easily integrate with existing legacy systems so there has been a desire by some clients to outsource the system management to third parties, or to simply migrate to a managed service and allow the service provider to keep up with industry requirements," comments Meenaghan.

In addition, Byrne suggests problems can also be attributed to mindsets that grew from the bygone era of processing physical securities — along with other practices that have simply failed to evolve over the decades.

"In the end, 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 adopt and continue to work from today," comments Byrne.

Many firms are digesting lessons learnt from the past 18 months after facing the challenges of working in a dispersed office environment during lockdowns.

According to Sheppard, those that fared well had invested in industry standard processes with automated practices and systematic control — and those that had not are looking to follow suit to better manage their risks.

Industry standardisation, for example through ISO 15022 and ISO 20022, is a facilitator of automation. ISO 20022 is a single standard that covers all business domains and end-to-end business processes. It facilitates the creation of new services and enhances straight-through processing (STP), which helps reduce risk in the market.

Industry market practice groups like the Securities Market Practice Group and National Market Practice Groups (SMPG/NMPG) have played an important role in defining best practices that firms can employ to structure efficient workflows. For example, SMPG has been successful in establishing globally agreed harmonised work practices which, integrated with ISO standards, has brought the industry closer to achieving STP.

Sheppard says: “It is a lot of work for industry participants to meet these challenges alone and so they are looking to us [SmartStream] to accelerate the required change with our best-in-class technology, cloud hosting and ‘model client’ configuration covering requirements across asset classes, event types, country/markets, accounts, positions plus client configurations.”

Out with the old, in with the new?

Spurred on by the pandemic, many firms are looking to modernise their systems to reduce risk as legacy systems can be a barrier to improving operational risk management. As firms modernise their systems, they will take away huge swaths of risk — which is a critical reason for embarking on the simplification journey.

Sionic foresees that 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 in one form or another.

Byrne notes: “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.”

Sheppard states: “A key agenda item today is to protect our business in a cost effective and operable manner. A company needs an affordable, easy to implement solution which caters for a business solution, a service differential, risk mitigation, enhanced control, governance and scalability.”

For example, often when signing up to a hosted service, the infrastructure will be governed, accredited and independently tested, managed and scrutinised.

The level of security will be published and the participant will have comfort in service levels being met and avenues of recourse being available.

But Sheppard highlights that by automating and relying upon proven, best-of-breed technologies and know-how, the industry participant will be subscribing to robust, cutting-edge technology.

Emerging technologies like distributed ledger technology (DLT), with full data traceability built into it, and artificial intelligence (AI) can help reduce operational risk. For example, AI can drive ‘smart’ reconciliations which reduces manual processing and operational risk.

Meenaghan argues the promise of DLT is not here yet. But in an ideal world, processing transactions via a distributed ledger may help to ensure that securities and cash are moved between participants instantly and without friction.

Additionally, checks could be added to ensure the seller actually has the stock available and the buyer has the cash available to settle the transaction.

“If that could be achieved, you could move to an instant settlement process rather than T+2. Foreign exchange could work in the same way; a rate is agreed and the two currencies are swapped instantly. There is a little way to go with DLT but if the current limitations with some emerging technologies could be overcome, then they could help to substantially reduce operational risk,” says Meenaghan.

The settlement cycle

Some industry participants believe moving from the T+2 settlement cycle (two business days after the transaction date) to T+1 and even T+0 will reduce systemic and operational risks.

This topic was particularly brought under the spotlight in January when Robinhood had to restrict trading in stocks including Gamestop because of the volatility caused by retail traders. Vladimir Tenev, CEO of Robinhood, believes the existing two-day period to settle trades exposes investors and the industry to unnecessary risk, which is ripe for change.

Sionic supports the belief that shortening the settlement cycle to T+1 is a business process issue more than a technology advancement issue. The proprietary technology developed by individual firms along with today's vendor solutions can support the move to T+1. However, real-time gross settlement or the migration to T+0 would require significant technology rewrites as well as wholesale business process changes.

Weighing in on this, Broadridge's Smith highlights that firms using T+1 will, in the process of the transition, simplify and modernise their technology, and will realise reduced operational risk benefits. However, he adds "firms that are late to the game and have not invested well in advance will find themselves scrambling to catch up, and may come up with band-aid solutions to comply".

"These stop-gap measures can increase risk; some will only find out the hard way. It is critical that firms start planning now for the inevitable and at least understand how they will be impacted," Smith says.

Meenaghan adds: "The Central Securities Depositories Regulation (CSDR) is on the horizon, so the imperative to settle all transactions on time will now take on a greater importance. There has always been a strong desire to settle all transactions on time, but soon there will be penalties for trades in EU central securities depositories (CSDs) that settle late."

Many industry participants rely on custodian or agent fail reports to deal with issues, but that is too late in the process.

According to Meenaghan, more attention to unmatched trades or unrecognised trades that have been alleged against companies is required, and there are several services that will allow clients to get these more real-time, rather than the current once a day report that most custodians send. Using these services to handle exceptions will become paramount from 1 February 2022.

The future of operational risk

There are a number of strategies, such as implementing enhanced technology (like DLT), that will play an important role for the future of operational risk.

Sheppard says the future of asset servicing operational risk needs to focus on enhancing business value, promoting proactive control and providing governance cost effectively through security, resilience and compliance.

Industry experts note that the conversation is changing from the top down to a mindset focused on making risky processes (such as corporate actions) as secure and as efficient as possible.

Sheppard highlights the importance of enabling automated processing of administrative tasks and aligning experienced small- and medium-sized enterprises to deal with the edge cases of an event and its options while giving due care and attention to decision support, entitlement optimisation, market claims and taxation — all differentials and healthy facts when it comes to profit, reputation and growth.

He says the steps to get there now "require less investment in time, budget and attention as my firm has done much of the hard work".

Also looking to the future, Smith muses: "It is easy to say the future looks bright, but this might be unwise optimism. While traditional risks are being controlled, new ones are emerging."

"We do not understand fully what risk is represented in new technologies. We already see the rough shape of what risk can look like through privacy breaches and ransomware hold-ups that have begun to appear."

From Sionic's perspective, Byrne believes that in the years ahead, as the adoption of cloud-based operating platforms progresses, data utilities will evolve beyond the parameters defined today and a movement toward a more collaborative approach to data management and risk management across the industry.

"Embedded deep into the fabric of the rapidly evolving post-trade support model are the intricacies of tomorrow's risk management solutions. We believe employing tools and systems that are data-driven, collaborative, agile, and sustainable will deliver the client centric value proposition firms strive for," concludes Byrne.

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 which may well be the most pivotal step toward reducing risk. ■

DTCC

TOP 6 WAYS TO ENSURE SUCCESSFUL FAILS PREVENTION AND AVOID CSDR PENALTIES

The upcoming Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime (SDR) will impose new measures to prevent settlement failure such as cash penalties for failing and/or late matching trades, and mandatory buy-ins. Given these new, potentially large, impacts of a failed trade — the time is now to maximize your current investments in Institutional Trade Processing's suite of services and to focus efforts on the prevention of failure.

PRE-TRADE ENRICHMENT

1 **Utilize the ALERT® platform,** the industry's largest and most compliant central database of standing settlement and account instructions (SSIs) and provide automatic enrichment of those SSIs on a matched trade when used in conjunction with CTM™.

2 **Take advantage of ALERT's Global Custodian Direct (GCD) workflow,** a fully custodian or prime broker managed workflow ensuring SSIs in the system come directly from and are maintained by source data providers.

3 **Upgrade your traditional ALERT enrichment capabilities by accessing our ALERT Key Auto Select (AKAS) functionality,** a seamless (and free) rules-based enrichment of CTM trades eliminating the need to provide ALERT Keys (Country, Method, Security) as part of the trade information.

ALERT

10.7M+
SSIs

1,800+
Investment Managers

1,300+
Brokers

ALERT GCD

9
Global Custodians Live

3
Regional Custodians & Trust Banks Live

54%
GCD has helped sell-side firms realize up to a 54% reduction in SSI related fails*

0%
Buy-side firms have driven their SSI related fails down to almost 0% by using GCD*

*[*A Roadmap to SSI Automation: How an SSI Utility Benefits All Participants*]*

TRADE DATE AGREEMENT

4 **Achieve straight through processing via CTM,** the industry's standard for central matching, by agreeing to the economics, place of settlement (PSET) and associated SSIs on trade date, allowing you to resolve any trade exceptions in a timely fashion.

SETTLEMENT & EXCEPTION MANAGEMENT

5 **Prevent penalties under CSDR through centralized trade exception management with DTCC Exception Manager,** quickly resolving exceptions and reducing delays in settlement.

DATA & ANALYTICS

6 **Gain a better understanding of who your higher risk counterparties are by leveraging ITP Data Analytics,** allowing you to identify potential missed trade affirmations in order to prevent fails.

CTM

165.8M
Trades Processed in 2020

95%
Average Same Day Matching Rate

1,562
Investment Managers

1,239
Brokers

DTCC EXCEPTION MANAGER

28
Organizations (brokers, prime brokers and custodians) submitting accurate data directly to the platform

212
Counterparty Pairings

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Taking centre stage

The Grand Duchy is well positioned as a global financial services centre, and if regulators and service providers remain progressive, nimble and embrace change, the Luxembourg market will continue to prosper in the future

Maddie Saghir reports

During the last two decades, Luxembourg has emerged as one of the most prominent hubs for fund domiciliation, capital raising and transaction activity.

Industry participants in Luxembourg have noticed that many managers that have previously launched funds in offshore jurisdictions are now looking to come onshore, often at the behest of their investors.

Furthermore, Luxembourg is set to be one of the biggest winners from Brexit in 2021 and beyond as businesses shift operations out of the UK to ensure continued access to EU markets.

Aside from Brexit, COVID-19 has increased the need for flexibility and adaptability from businesses during the continuous uncertainty of the pandemic.

Many firms have turned to the outsourcing of administration functions as a cost-efficient way of accessing wider resources and operating infrastructure which they may not have the capacity to build or maintain themselves.

"As the number of funds domiciled in Luxembourg grows, so too does the demand for outsourcing of fund administration, particularly as compliance costs and regulatory pressures grow," explains Renaud Oury, chief revenue and data officer at Apex, a global financial services provider.

On the client side, Oury has observed a huge shift from public markets into private markets, fuelled by the growth of alternative investments and allocations, which in turn has been driven by insurance and pension fund clients.

Experts believe that by continuing to foster new developments, Luxembourg will reinforce its attractiveness in the global funds space.

Taking centre stage

Luxembourg plays an important role on the global stage as an asset management, distribution and fund services hub, with an embedded ability to adapt quickly as a jurisdiction.

Its important role in the industry has not gone unnoticed by market players, as there has been a notable increase in the migration of

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expertise from traditional custodians and fund administrators to corporate services with their alternative fund administration divisions. The increasing appetite of investors for private equity, debt, real estate and infrastructure funds has led to greater demand for administration servicing these vehicles.

Keith Hale, executive chairman, TrustQuay, says: "While traditional custodian banks offer alternative fund administration as well as their traditional services, there is an increasing number of corporate services providers with alternative fund administration capabilities also taking advantage of this growing market."

According to Hale, this growth in private capital investment has led to an acceleration of recruitment of industry experts from custodian banks and long-only fund administrators.

This trend has been fuelled by the need for regulatory and risk management expertise, as specialist fund administrators and their private market clients ensure they are compliant with the regulatory requirements around alternative investments, such as the Alternative Investment Fund Managers Directive (AIFMD), which is the regulatory framework that applies to EU-registered hedge funds, private equity funds, and real estate investment funds.

Meanwhile, market players have also noticed a strong focus on investing in data management systems in Luxembourg. Data management systems enable participants to optimise their operations through actionable insights and efficient reporting. Further benefits of data management include the ability to increase end-user productivity, enhance decision-making, and also improve data access.

Data is also crucial when it comes to environmental, social and governance (ESG), which is another area where industry participants are noticing a lot of attention in Luxembourg. While ESG is a big topic among most markets, Daniela Klasen-Martin, group head of management company services, managing director Luxembourg at Crestbridge, notes that Luxembourg aims to become a world leader in sustainable finance, an area in which an understanding of data management is crucial.

Luxembourg launched a Luxembourg Green Exchange (LGX) in 2016, which established some of the first real standards in the industry. LGX is a dedicated platform for sustainable securities and issuers contributing to financing a low-carbon and more inclusive economy.

LGX currently lists approximately 50 per cent of the world's green bonds. One advantage in using this platform is that investors can freely access documentation for the underlying products, thus increasing transparency and reinforcing their ability to make informed ESG-driven decisions. For fund promoters, this affords higher visibility and opportunity to expand their suite of ESG-compliant investment products. The green exchange has created an ecosystem that brings together pure ESG players.

Challenges and opportunities

The pandemic brought many challenges to the financial services industry, not just in Luxembourg but globally. The ability of fund managers to work remotely is expected to continue, increasing the demand for asset servicing and banking services in the asset management industry.

Oury says: "Asset managers in Luxembourg are increasingly demanding digital solutions which remove the need for managers to provide physical document copies or the need to send information via mail."

Given the pace of business expansion as a result of these demands within its private markets and alternative fund services business, Luxembourg is also facing challenges around talent acquisition.

"Having seen a lot of consolidation on the provider side during the last three years which has driven the market, the main challenge facing the asset servicing industry in Luxembourg is the perennial issue of staffing and talent acquisition. It is becoming harder to hire experienced staff to support further growth of asset servicing businesses and to guarantee excellent client service delivery," Oury notes.

Although demand for highly skilled individuals has historically been most relevant to roles in the compliance and risk management sector, industry players are now also seeing a need for operations and IT staff.

"We want to find a balance between automation and standard flows and processes on the one hand, and bespoke, fine-tuned deliverables as requested by our clients on the other hand," says Oury.

Consequently, providers need to optimise the way in which their Luxembourg-based teams are used and staffed. It is important for senior client- and solution-oriented experts to be available to partner with clients and to act as an oversight and control function on operational matters, while also developing centres of excellence in other jurisdictions with a more plentiful supply of qualified talent.

"The Luxembourg talent market remains as competitive as ever and we remain excited to find, train and retain the best local talents, combining their expertise with international pools of resources attracted by our global reach," comments Oury.

Despite these challenges, Luxembourg remains a key and growing corporate services and alternative fund administration market, and there are opportunities for continued growth servicing the private equity, debt, real estate and infrastructure markets.

To capitalise on this growth, Hale suggests corporate services providers and specialist alternative fund administrators need to accelerate the digitalisation of their business models.

Hale comments: "There are many, many tasks — not just regulatory — that remain very manual and very paper-based. Using automation to reduce the reliance on people increases accuracy, reduces the need for operational staff, and is less repetitive and boring for those working in the business, while also reducing costs for the business and for the end client."

Additionally, in terms of opportunities, unsurprisingly, ESG has been named as one of the biggest drivers for growth in Luxembourg.

"Luxembourg is extremely well regulated and is well positioned to benefit from investors and managers prioritising governance over other factors like cost. EU finance regulation is moving to a place where sustainability is no longer just optional," says Klasen-Martin.

A prosperous future

Over the next 12 months and beyond, industry participants are optimistic about the continued growth of Luxembourg's asset servicing industry.

In the context of Brexit, more than 60 financial firms have decided to either strengthen their existing activities or establish a new EU hub in Luxembourg to ensure continued access to the EU single market.

"As the number of funds domiciled in Luxembourg grows, so too does the demand for outsourcing of fund administration"

Apex's Oury predicts funds in Luxembourg will continue to prioritise quality ESG data capture, analysis and reporting, which is critical for ensuring risk mitigation and sustainable returns for investors.

The recent launch of a dedicated accelerator for climate finance asset managers and a toolbox of suitable investment vehicles in the country is evidence that Luxembourg is in a position to further strengthen its role in impact investing.

Oury states: "We expect to see an evolution in the way that managers engage with service providers. Managers are now increasingly seeing the major advantages to having one provider — primarily the cost and administrative efficiencies achieved, seamless integration and a single point of contact for ongoing management of the relationship — and are shifting their buying behaviours accordingly."

Speed to market can also be argued as a clear benefit of using a single source solution because it can greatly reduce time spent navigating through different know-your-customer processes with multiple providers, which can be a source of great frustration for managers.

Apex sees the Grand Duchy as well positioned as a global financial services centre and the growth of its business in Luxembourg is a key strategic priority for the group in 2021 and beyond.

Commenting on Luxembourg's future, Hale concludes: "My prediction is that we will see increased growth with more market share being gained by the independent corporate services providers with special alternative fund administration divisions as the industry grows and as that sector grows. However, to continue to be successful in this market, automation and digitisation are key to growing market share and maintaining margins."

BNY Mellon has enhanced its asset servicing business with the appointments of Paul Vigilante and Paul McDermott.

Vigilante has joined BNY Mellon as head of accounting and investor solutions operations. In this role, he will focus on optimising BNY Mellon's operating model.

Based in New York, Vigilante will report to Jeremy Dobrick, head of asset servicing operations and technology.

Prior to this appointment, he held senior operations roles in securities services and asset management at JPMorgan Chase.

Most recently, he served as head of wealth management product and core operations.

During his career, Vigilante has also held senior positions at Citadel Investment Group, Goldman Sachs, and Drexel Burnham Lambert.

Meanwhile, McDermott will be joining BNY Mellon as head of accounting and fund administration, effective from September. Based in Dublin, McDermott will report to Vigilante.

McDermott joins BNY Mellon from Citi where he was most recently the global head of fund accounting operations.

Commenting on the appointments, Dobrick says: "We are thrilled to welcome Paul Vigilante and Paul McDermott to BNY Mellon."

"As we continue to make significant investment in our capabilities to support clients' expanding need for automation and digital transformation, we are growing our asset servicing operations teams to help scale our operating model."

Alexandre Kech is to step down from his role as CEO of Onchain Custodian, the digital assets platform he co-founded in 2018.

Based in Singapore, Kech is relocating to Europe for family reasons. He will be replaced by Onchain Custodian co-founder and chief strategy officer, Raymond Cheong.

Cheong has more than 30 years of experience in financial services throughout Asia, having served at KPMG China, Ernst and Young China, IBM and Standard Chartered.

Commenting on his tenure, Kech says: "My time at Onchain Custodian has been one of the most rewarding experiences of my life. I thoroughly enjoyed building Onchain Custodian, with a truly brilliant team, into a top Asian digital asset custody solution."

Da Hongfei, Onchain Custodian board chair, comments: "The board and I are delighted to see Raymond in this role at a pivotal time for the industry."

"Onchain Custodian is perfectly positioned to capitalise on the inflow of institutional funds in the years ahead, thanks to the hard work and dedication our team has shown over the years." ■

ZEDRA, the specialist in corporate services and global expansion, active wealth and fund solutions, has hired Damien Fitzgerald as head of funds for Guernsey.

In the role, he will lead the firm's fund solutions offering and will be supported by the recently appointed head of fund operations, John Donnelly.

Fitzgerald has gained 23 years of fund administration, corporate governance, accounting and audit experience during his career including 17 years in Guernsey's financial services industry.

Prior to joining ZEDRA, he was head of funds at TMF Group in Guernsey, leading a team of 70 and chairing all of their Guernsey regulated boards.

During the span of his career, Fitzgerald has also held senior roles at several other Guernsey-based administrators as well as KPMG in Guernsey and Deloitte in Ireland.

The Guernsey fund team at ZEDRA specialises in fund establishment and administration, company secretarial services and governance as well as financial accounting and net asset value production.

The funds team also supports the Guernsey Green Funds initiative, which aims to provide greater access to green investments to end investors.

Wim Ritz, global head of ZEDRA Funds, comments: "We are thrilled to have Damien Fitzgerald join our team."

"His in-depth knowledge of the funds industry will help us further propel the firm's growth strategy." ■

State Street has appointed new country heads for Germany, Luxembourg and Switzerland.

Dagmar Kamber Borens has been appointed as the country head of Switzerland. Borens has more than 20 years of experience in the banking industry. Most recently, Borens was the designated CEO of Quintet Private Bank Switzerland AG. She spent 18 years at UBS AG, where she held a number of senior management positions.

These positions included group chief financial officer for Asia Pacific (APAC) in Singapore, and chief operating officer for the Swiss Universal Bank at Credit Suisse AG, where she had responsibility for strategy, IT/operations, digitalisation, banking products and marketing.

Riccardo Lamanna (pictured), head of alpha business development for Europe, the Middle East and Africa (EMEA) and the legal entity head and board member for State Street Global Exchange, has been appointed as the country head of Luxembourg. Lamanna joined State Street in 2010 as part of the Intesa Sanpaolo acquisition, and successfully led its Italian branch and managed global services in the Netherlands prior to his most recent role.

Meanwhile, Andreas Niklaus has been appointed as the country head of Germany. He joined State Street in 2003 to manage the Depotbank and successfully integrated Deutsche Bank's securities services business into State Street Bank International.

Niklaus has served as COO since 2006, and was most recently responsible for global services in Germany, Austria, Netherlands and the Nordics, and served as the European head of depositary services.

In their respective regions, they will be responsible for developing business, stewarding client engagement, developing talent and building the company's brand and market network, in addition to maintaining strong and proactive regulatory relationships, State Street says. ■


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