asset servicing times
The primary source of global asset servicing news and analysis
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A Critical Asset

Enhanced technology is important but an innovative person is a critical asset to any organisation

Spain Profile

The Spanish custody market has undertaken reforms to move closer to full harmonisation with other EU markets

India Update

Despite the devastating impacts of the pandemic, the market has made positive changes

State Street to acquire BBH

State Street is to acquire Brown Brothers Harriman Investor Services.

Following the transaction, State Street will take over BBH’s Investor Services business, including its custody, accounting, fund administration, global markets and technology services, for US $3.5 billion.

BBH will continue to independently own and operate its separate private banking and investment management businesses.

The acquisition is expected to be complete by the end of 2021.

The senior management team will transition to State Street in executive leadership roles, and Seán Páircéir, currently partner and global head of investor services at BBH, will join State Street’s management committee.

Ron O’Hanley, chairman and CEO of State Street, says: “The investment servicing industry enjoys strong fundamentals as worldwide growth in financial assets drives industry revenues. This combination with BBH Investor Services helps us consolidate our position as the industry innovator and leader.”

He adds: “We are enhancing our leadership position across a range of services, augmenting our position in a number of key markets, growing relationships with many of the leading global asset managers and owners, and increasing our capabilities and scale. Additionally, BBH Investor Services brings us strong talent, including industry leading service excellence and quality execution.”

Bill Tyree, managing partner of BBH, concludes: “We made this decision after careful consideration of the current and future landscape of the global securities servicing industry, including how best to support and innovate for the growing breadth and complexity of our clients’ servicing requirements. State Street is the ideal partner — a firm that shares our core values of unmatched client service, integrity, trust, and a long-term commitment to sustainability.” ■

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J.P. Morgan gains new custody mandate

J.P. Morgan has been appointed by Danske Invest Funds, managed by Danske Invest Management, to provide custody and depository services.

Under the new mandate, J.P. Morgan will provide custody and depositary services for US $70 billion worth of funds, including equity, fixed income and alternative investments, which number more than 140 funds.

After a 12-month request for proposal process (RFP), J.P. Morgan was awarded the business this month with a view to transitioning the assets by the end of Q1 2022.

According to J.P. Morgan, the new mandate will reinforce its position as the leading securities services provider for institutional clients and depositary for Danish mutual funds.

Morten Rasten, executive director at Danske Invest Management, comments: "J.P. Morgan is one of the largest and most experienced providers of custody and fund services in the market."

Rasten explains: "It was a very competitive RFP process, but J.P. Morgan's global franchise, combined with a long history of service provision in Denmark, helped us decide they were the perfect partner for Danske Invest Funds. Their strong platform and people will allow us to focus on delivering first-class fund products for our investors."

Allan Nedergaard, Nordic head of platform sales at J.P. Morgan, adds: "J.P. Morgan is delighted to begin our partnership with Danske Invest Funds in Denmark and support them on their journey to grow their investment offering and continue delivering for their clients."

Masdar Green picks Apex for sustainable REIT initiative

Apex has been appointed fund administrator of the Masdar Green REIT, the first real estate investment trust (REIT) in the Middle East and North Africa (MENA) region to invest solely in sustainable real estate assets, for the provision of fund administration services.

Apex will provide Masdar with an independent and locally delivered suite of fund administration and property level accounting and reporting services, utilising Apex's eFront and Yardi solutions.

The Masdar Green REIT fund is managed by Masdar Capital Management, a fund manager incorporated in the Abu Dhabi Global Market.

Under the private REIT regime, the Masdar Green REIT offers the opportunity for professional investors to invest in a portfolio of sustainable real estate assets located in Masdar City, and the UAE.

The REIT's portfolio currently comprises four commercial properties, with an initial third-party valuation of circa £188,039,205 (approximately AED 950,000,000) as of 23 December 2020.

Apex will work in partnership with UAE asset manager, Emirates NBD Asset Management, provider of management services for the initiative.

Glyn Gibbs, regional head of business development for MENA at Apex Group, says: "With ESG factors playing an ever-increasing role in investment decision-making, the Masdar Green REIT reflects our commitment

to facilitating the flow of capital towards sustainable investment vehicles and assets."

Anthony Taylor, senior executive officer at Masdar Green REIT, adds: "We look forward to working in partnership with Apex as we build a track record for the REIT, providing prospective investors with full confidence in the administration of the fund as they look to invest in sustainable real estate assets."

Hamburg Commercial Bank chooses Broadridge PaaS for payments services

Hamburg Commercial Bank has gone live with Broadridge's Payments-as-a-Service (PaaS) in an effort to enhance its international payments processing for corporate clients. The cloud-based platform, designed by Broadridge and software consultant company PPI AG, combines PPI AG's core payments processing platform and Broadridge's messaging and transformation service.

Providing straight-through processing and the resolution of processing exceptions, the PaaS has the ability to capture new revenue streams, enhance the quality and range of client services without capacity or resource constraints, while ensuring adherence with regulatory changes.

The operating platform already includes necessary TARGET2 MX and SWIFT MX enhancements, while subsequent phases of the project will add a service for Single Euro Payments Area (SEPA) payments and SEPA instant payments.

The platform is hosted in Broadridge's European data centre and is available on a shared services basis.

Broadridge's business process outsourcing team will handle exceptions and customer enquiries, supported by purpose-built ticketing and customer service applications.

Commenting on the PaaS, Samir Pandiri, president of Broadridge International, says: "To address client processing requirements and support the industry with the evolving regulatory and market infrastructure landscape, we have made a significant investment in building out our payments architecture and operating model."

DTCC's FICC launches sponsored general collateral service

The Fixed Income Clearing Corporation (FICC), the US clearing entity owned by the Depository Trust & Clearing Corporation (DTCC), has gone live with a sponsored general collateral (GC) solution.

Initial trades through this GC service have been executed by BNY Mellon (as tri-party), J.P. Morgan Securities (as sponsoring member) and Federated Hermes (as buy-side sponsored member).

This service will provide access to BNY Mellon's tri-party repo (TPR) platform, enabling users to settle cleared repo transactions in a manner similar to how tri-party repo trades are handled outside of CCP clearing.

This enables sponsoring members and their clients (i.e. sponsored members) to submit TPR transactions in central clearing against an expanded range of collateral, including US treasuries, agency mortgage-backed securities (agency MBS) and agency debentures.

BNY Mellon explains that, previously, sponsored members utilising cash in sponsored repo at FICC could only access US treasuries as collateral.

With this development, sponsored members in the bank's sponsored member programme can now also accept agency MBS as collateral, extending a US$11 trillion agency MBS market to repo clearing.

This service has been launched by DTCC in collaboration with BNY Mellon and with support from Broadridge.

DTCC's head of clearing agency services, Murray Pozmanter, says: "FICC's sponsored service has become an integral part of the US repo market and the new sponsored GC service will enable us to [offer] broader access to central clearing".

Andrea Pfenning, president and COO of BNY Mellon's government securities services corporation, comments: "In addition to our existing settlement role for FICC's sponsored service, where trades settle bilaterally, BNY Mellon will now provide settlement for FICC-sponsored GC service transactions via tri-party."

John Garahan, head of North American fixed income, Broadridge, adds: "We have worked closely with DTCC and BNY Mellon over the past few years to bring DTCC's recent enhancements to the sponsored service to life by helping to connect Broadridge users with FICC."

Currently, 29 sponsored members and more than 1800 clients are using FICC's sponsored service, accounting for $240 billion to $300 billion in daily trade volumes.

FCA chair weighs in on Kim Kardashian and crypto risks

Charles Randell, chair of the Financial Conduct Authority (FCA), has published a speech on the risks of token regulation, which highlights concerns around TV stars like Kim Kardashian promoting crypto assets on social media.

Kardashian was recently paid to ask her 250 million Instagram followers to speculate on crypto tokens by "joining the Ethereum Max Community", which Randell says may have


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Randell notes: “In line with Instagram’s rules, she disclosed that this was an #AD. But she didn’t have to disclose that Ethereum Max — not to be confused with Ethereum — was a speculative digital token created a month before by unknown developers — one of hundreds of such tokens that fill the crypto-exchanges. Of course, I cannot say whether this particular token is a scam. But social media influencers are routinely paid by scammers to help them pump and dump new tokens on the back of pure speculation. Some influencers promote coins that turn out simply not to exist at all.”

According to the FCA chair, there are no assets or real-world cash flows underpinning the price of speculative digital tokens, even the better-known ones like Bitcoin, and many cannot even boast a scarcity value. Moreover, these tokens have only been around for a few years, so it is not clear what will happen over a full financial cycle.

“We simply do not know when or how this story will end, but — as with any new speculation — it may not end well,” says Randell.

Despite this, the hype around them generates a powerful fear of missing out from some consumers who may have little understanding of their risks.

Randell suggests there is no shortage of stories of people who have lost savings by being lured into the crypto bubble with delusions of quick riches, sometimes after listening to their favourite influencers, ready to betray their fans’ trust for a fee.

The FCA has repeatedly warned about the risks of holding speculative tokens; these tokens are not regulated by the FCA and are not covered by the Financial Services Compensation Scheme. Therefore, if you buy them, you should be prepared to lose all your money, Randell highlights. The FCA’s take on this is similar to that of other international regulators as it sees investing in cryptocurrencies as extremely high risk. Meanwhile, the FCA has also warned that bringing cryptocurrencies into the regulatory sphere risks adding more perceived legitimacy to the currencies.

Randell states: “The tide of regulation is turning all over the world, and online platforms should expect a future where regulation addresses the significant risks they pose in the same way as other businesses. Same risk, same regulation.”

Commenting on the chair’s speech, Susannah Streeter, senior investment and markets analyst, Hargreaves Lansdown, says: “It is unusual to hear the chair of Britain’s financial watchdog dedicate a big chunk of his speech to superstar reality TV queen Kim Kardashian — but it shows just how concerned the FCA is about the level of financial promotion of crypto assets on social media.”

Streeter affirms: “Now it appears to be throwing its weight behind recommendations made by the influential Basel committee which brings together regulators from around the world.”

If banks and other regulated financial institutions dabble in crypto, the committee is considering making them put aside enough capital to cover 100 per cent of potential losses. Giving speculative tokens a high-risk price tag is likely to make cryptocurrency dealing and investment very expensive and could limit the number of new institutional entrants into the crypto world, according to Streeter.

Additionally, Streeter says it is likely that lower financial buffers would be needed for stable coins, which are seen as less volatile as they are pegged to currencies like the dollar.

SmartStream adopts Cboe Europe for data services

SmartStream has chosen Cboe Europe, a new futures and options exchange, to provide its data services for its exchange traded derivative offering.

Cboe Europe allows users to correlate the processes needed to manage the exchange's data — ensuring that all active participants are ready on the day of trading.

Cboe Europe manages the complete data lifecycle — sourcing, validation, enrichment and cross-referencing.

Cboe Europe offers products in multiple asset classes including options, futures, US, Canadian and European equities, exchange-traded products, global foreign exchange and volatility products based on the Cboe Volatility Index — a measure of the stock market's expectation of volatility.

Commenting on the new partnership, Linda Coffman, executive vice president of SmartStream, says: "We are delighted to welcome Cboe Europe to our extensive set of listed derivatives data. With this new collaboration we will be assisting our customers so that they are prepared and trading on day one with access to complete and accurate reference data."

"With our exchange-traded derivatives service, we will eliminate risk with full coverage reference data for all participants." ■

CME Group and IHS Markit launch new post-trade services company

CME Group and IHS Markit have launched their joint venture, OSTTRA, a new post-trade services company. OSTTRA is designed for the global over-the-counter (OTC) markets across interest rate, foreign exchange, equity and credit asset classes, incorporating CME Group's optimisation businesses — Traiana, TriOptima, and Reset — and IHS Markit's MarkitSERV.

The terms of the OSTTRA deal included a US $113 million equalisation payment from IHS Markit to CME Group to achieve 50/50 ownership and shared control in the joint venture.

Headquartered in London, OSTTRA will be led by co-CEOs Guy Rowcliffe and John Stewart. Rowcliffe will serve as chief commercial officer, with oversight for leading the company's full product portfolio and sales teams. Stewart will serve as co-CEO and chief operating officer, responsible for leading business strategy, operations and technology as well as overseeing corporate services and finance.

Most recently, Rowcliffe was global head of optimisation services at CME Group and head of TriOptima and Reset. Prior to this, he was head of Asia Pacific for NEX Group's post-trade and optimisation businesses.

Stewart has extensive experience in institutional and investment banking. Prior to IHS Markit, Stewart was global head of investment banking operations and chief data officer at UBS. He has also held various operations and technology roles in derivatives and securities businesses at J.P. Morgan.

Terry Duffy, CME Group chairman and CEO, says: "These complementary businesses provide clients with enhanced platforms and services for global OTC markets."

"As the demands for automation continue to transform the post-trade landscape, OSTTRA will be at the forefront of helping market participants build a secure and sustainable market infrastructure."

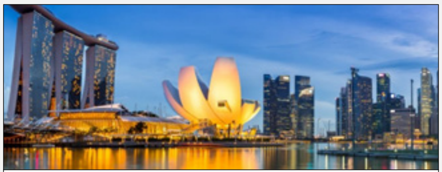
Lance Uggla, chairman and CEO of IHS Markit, comments: "OSTTRA brings together the people, processes and networks to solve the market's most pressing problems through innovating, integrating and optimising the post-trade workflow." ■

HSBC partners with E Fund Management

HSBC has been appointed by E Fund Management (Hong Kong) to provide servicing solutions for its existing Luxembourg UCITS.

E Fund believes the partnership with HSBC in Europe will set a solid foundation to support its UCITS expansion plan.

Read the full article online

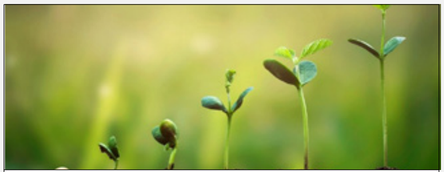


Standard Chartered and NTUC enter into joint venture

Standard Chartered's wholly-owned subsidiary SCBSL and BetaPlus have entered into a joint venture to launch a digital-only bank in Singapore.

Its venture, SC Bank Solutions, will be Standard Chartered's second separately licensed digital bank in Asia, after Mox Bank in Hong Kong.

Read the full article online



Citco sees continuance in hedge fund resurgence for Q2

The hedge fund industry continued its strong resurgence in Q2 2021 as more managers delivered positive year-to-date returns and funds captured larger returns versus the previous quarter.

Citco's Q2 2021 Hedge Fund Report found that all fund strategies delivered positive returns in Q2.

Read the full article online

BIS Innovation Centre leads testing with central banks on CBDC international settlement

The Bank for International Settlement is working with four central banks to enable international settlement with digital currencies.

The BIS Innovation Hub, led by its Singapore centre, will test use of central bank digital currencies for cross-border transactions.

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Kaizen Reporting launches new ESG monitoring tool

Kaizen Reporting has launched ESI Monitor, a new platform designed in an effort to develop its ESG strategy.

ESI Monitor provides a framework that helps its clients measure and manage their environmental and social impact to improve the sustainability of organisations around the world.

Read the full article online

J.P. Morgan to acquire 75% of Volkswagen payments platform

J.P. Morgan will acquire a 75 per cent stake in Volkswagen's payments platform, which is operated by Volkswagen Payments S.A.

The investment banking company says the deal will expand the bank's digital payment capabilities.

Read the full article online

A critical asset

Talented people are critical assets to companies despite the enhanced technologies that are out there today. Experts say while there is always more to be done to promote diversity across financial markets, there is strong evidence to indicate things are moving in the right direction

Maddie Saghir reports

While enhanced digital capabilities and fancy technologies like artificial intelligence (AI) and machine learning can be extremely valuable to a company, a person who is innovative, hardworking, and reliable is a tremendous asset to any organisation.

Retaining and nurturing talent is important as these people could make up the future leaders of the business. In addition, there are significant costs involved in training and development so it is important to get a return on this investment. As well as this, highly talented and innovative people have the potential to really bring out the best in other employees.

Asset servicing is a service-led industry, and so people are a critical asset.

Man vs machine?

The role of human input will always be crucial despite the value of new technologies. Technologies like AI can replace manual human tasks in the asset servicing industry but there is one main difference between the two; AI lacks common sense.

AI is only as good as the data fed into it. For example, while AI can help to increase the speed and accuracy of predicting the probability of events occurring by processing larger volumes of data faster than a human ever could, it cannot be heavily relied upon to predict risk.

AI is not good at predicting black swan events, tail risk, and the impact of events with no historic precedent such as COVID-19.

Automation can help firms move away from manual processing and allow people to focus their efforts on higher value activities that help reduce risk.

Therefore, industry participants need to strike a balance between implementing technology to save employees' time, while also retaining talent.

Looking at the hedge fund space, for example, Alternative Investment Management Association's (AIMA) research and engagement with members have reinforced the notion that hedge funds are placing a strong emphasis on achieving operational efficiencies through automating some parts of their business.

Tom Kehoe, global head of research and communications, AIMA, says: “Despite some concerns that increased automation could lead to job losses broadly across the financial industries, the reality seems to be that employing technology that enables the business to work more efficiently primarily seeks to lift the burden of more administrative roles across the various hedge fund functions.”

“Further, doing so allows investment managers and traders to have more time to focus on delivering performance. Beyond the front-, middle- and back-office, teams can also significantly reduce resource allocation to operations which would typically require manual input.”

Subsequently, AIMA notes the skill set for various roles within hedge funds is changing to include a greater need for technology.

Nurturing new talent

There are a number of strategies a firm can carry out to nurture new talent. Industry players say there is a focus on developing a more diverse and inclusive talent pool in the asset servicing space.

Rosie Guest, chief marketing officer and executive committee member, Apex Group, says this is something Apex is focused on, having recently conducted an environmental, social and governance (ESG) gap analysis to ensure the group focuses its efforts on attracting and developing a broader range of talent.

Guest adds: “We also utilise the Apprenticeship Levy and support around that and have a focus on investing in attracting graduates to our junior roles; in some locations we are also looking at implementing a university structure.”

There are many benefits to the Apprenticeship Levy, as it is there to fund apprenticeship training for all employers. Any unspent levy funds are used to support existing apprentices to complete their training and to pay for apprenticeship training for smaller employers.

Discussing what firms are doing to nurture new talent within the asset servicing space, Paul Chapman, co-founder and managing director of HornbyChapman, observes that generally speaking, millennials and Gen Z are much keener on their employer taking a deeper and more value-added role in the community and environment than their predecessors.

Chapman says that “while this is admirable, it can lead to ‘greenwashing’ tactics being employed by firms and also evidences a lack of appreciation that in order to survive, a firm needs to make money — if youngsters scratch beneath the surface of many firms they would be disappointed with what they find with respect to their firm’s ESG credentials and the extent of value a firm is giving to the local community”.

At a senior level of employee hiring, firms remain reluctant to hire outside the industry — buy-side staff may go to sell-side, and vice-versa, but rarely do hires from outside of the industry gain entrance or, if they do get hired, achieve success and longevity, according to Chapman.

Meanwhile, in the alternative investment space, AIMA recently surveyed members to find out what facilities they had in place to help new talent enter the industry.

The majority of respondents highlighted the popularity of internships enabling employers and employees to benefit from having a short-term industry experience (typically six months) to ascertain whether the employee has (or can develop) the right skill set to work at their firm.

In many industries, it is not uncommon for a company to launch a graduate programme every year. Graduate programmes are entry-level jobs that also double as training programmes. They allow the employee to experience multiple areas of the company and build up their skills and knowledge.

According to Kehoe, when it comes to attracting the top graduates, hedge funds may have to compete with Wall Street and the big tech names, depending on their strategies.

By any metrics, hedge funds have, on average, had a stellar H1 and will need to bring in new talent as they scale up, on the back of significant inflows from investors and strong revenue streams.

"The hedge fund industry is highly competitive and relies on relationships to source proven performers, but the larger names within the space have established talent pipelines with various educational institutions to make sure they can see who the stars of tomorrow might be," says Kehoe.

Improving diversity, equity and inclusion (DE&I) is a top priority for the industry and many of AIMA's members are adjusting their hiring processes to achieve this.

Part of the answer for many has been to shift from a focus on qualifications and where a candidate went to school to focus more on having the right skill set, which opens the industry up to benefit from having a more diverse talent pool.

At AIMA, for example, several members work with schools, charities, and similar organisations to make the hedge fund industry feel more open to young people considering their career options.

This includes promoting financial literacy and technology-orientated skills.

More recently, with the pandemic forcing a rapid shift to remote working, hedge funds have become a lot more open to allowing greater flexibility in working practices to accommodate staff in juggling professional and personal responsibilities and a healthier work/life balance.

Having the right tools

It is important to provide people with access to the right tools that can help them adapt and evolve their skill sets. There are many tools and resources in the market but it is the responsibility of the company to invest in learning and development as a strategic priority.

Additionally, it is important for a company to communicate the benefits of utilising these tools and opportunities to their employees.

Apex's Guest observes that adoption is often a key issue here and, in some cases, mindsets are not shifting quickly enough which will delay some people from accelerating their careers the way they did pre-pandemic.

"We have known for some time that professional development works best when we have a 70:20:10 mix of experiential, social and formal training. In our current environment, the social and experiential activities are more structured and therefore take additional time and resources from managers and existing subject matter experts, while prioritising business as usual client deliverables," says Guest.

More of Apex's learning (particularly in the pandemic environment) has moved to online learning and live webcasts. Guest highlights that professional bodies have been fantastic at adapting content to virtual delivery, and while Apex has an accessible learning platform that provides on-demand learning, nothing can replicate the relationships and experience sharing that in-person working and learning provides.

Diversifying the talent pool

Diversifying the workplace creates an inclusive environment and shows acknowledgement of an employee's individual strengths and the potential they bring. Valuing the differences in others can be the key to a thriving workplace and fair work culture.

The asset servicing industry is not known for being particularly diverse. However, experts say the industry is working on this. Progress in this space will require a deep dive analysis within each individual company to form an action plan for change. For example, a higher percentage of senior roles are still typically taken by men.

Chapman highlights: "This is a numbers-based situation to a degree; to secure a senior role, one usually has to have experience, and experience takes time to earn. Historically, for well-documented reasons, the industry was seen as a male enclave with only a few outliers of senior women. Mirroring changes in society as a whole, and as a result of a growing appreciation of the benefits of diversity of thinking, roles have become open to anyone regardless of their background, sex, sexuality, etc. Consequently, in due course the ratio will change."

Additionally, work by organisations such as Women in Asset Servicing, which was founded by Northern Trust's Kate Webber, has gone a long way to create a more level playing field, instil confidence, especially in younger women, and educate them as to how they can succeed in a career in the asset servicing industry.

"A wider question, and one which is rarely touched upon given its sensitivity, is what the optimal split of male versus female actually is - does it have to be roughly 50:50 which is the unspoken, but accepted, target?" Chapman muses.

For example, Chapman explains that in the legal world, there is a higher percentage intake of women to men (although after five years that proportion flips).

Chapman says: "Might it be that women with children still feel that despite much progress, the working environment in any given firm in the financial service space is still not conducive to having a balanced home life?"

Weighing in on diversity in the industry, Guest comments: "Change must come from nurturing a more inclusive environment that provides equity within the workforce and opportunities for individuals to reach their full potential within a business."

Apex, for example, established a Shadow Executive Committee, which was made of up 50/50 male and female members, across six different countries and including a range of age groups.

"The intention for this committee was to bring diversity of thought and a different perspective to the leadership conversation. That initiative ultimately paved the way for further diversification of our formal executive committee, with the addition of two new female members to a formerly all-male group," affirms Guest.

"Change must come from nurturing a more inclusive environment that provides equity within the workforce and opportunities for individuals to reach their full potential within a business"

Following the success of that initiative Apex has also established an Equity, Equality Diversity and Inclusion Council, with executive sponsorship, to ensure it retains a focus on implementing actionable initiatives to continue to drive positive change in these areas.

Additionally, Apex has implemented a mentoring programme to connect employees across the business with various volunteer senior members of the team. It has also launched an internal podcast named "Everyone Deserves a Voice", which celebrates diversity across the industry business, exploring the different experiences of its employees covering important topics to educate employees on the experiences of their peers including race, religion, gender, sexuality, disability and more.

In the hedge fund space, industry participants believe the pandemic has accelerated moves towards diversity.

Kehoe suggests the importance of good company culture has been made abundantly clear during the remote working environment and part of that comes with making sure everyone feels welcome and included. Managers are widely acknowledging this, and AIMA's market research indicates that companies are setting policies in place to make the workplace as attractive as possible for everyone.

Moreover, Kehoe notes that investors in hedge funds are making criteria around DE&I a core part of their broader ESG policy. This is generating even greater momentum behind the industry's push to become more open to all demographics.

There is always more to be done to promote diversity across financial markets but there is strong evidence to indicate things are moving in the right direction.

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

Community includes investment managers, brokers, custodians, prime brokers, and outsourcers

ITP DATA ANALYTICS

100%
CTM client coverage

93.54%
Average same day match agreement for European trades in March 2021

€ 524B
Notional delta between what was entered on trade date but not affirmed on trade date in March 2021

WANT TO LEARN MORE? VISIT DTCC.COM/CSDR
See how DTCC's ITP suite of services can reduce your risk of trade fails, minimizing the impact of CSDR.

WANT TO LEARN MORE ABOUT DTCC CONSULTING SERVICES? VISIT DTCC.COM/CONSULTING
Need support implementing the ITP suite of services at your organization? We'll help you rethink your post-trade operating model.

Livin la vida de custodia

The Spanish custody market has undertaken a number of initiatives to improve harmonisation and efficiency, and now, with plans to eliminate further market-level specificities, the market moves closer to full post-trade harmonisation with other EU markets

Maddie Saghir reports

The Spanish financial services market has undergone a series of initiatives in recent years, which has seen the country become a leading provider of services to global custodians and broker dealers. The industry in Spain is now working towards full harmonisation with the rest of the EU markets.

Legislation enacted by the Spanish parliament in 2011 introduced modifications to the Securities Market Law to align market practice in Spain with the same practice in other leading European securities markets.

Many of Spain's major reforms kicked off in 2016; the Spanish Market Reform was created to prepare the Spanish equity post-trade market infrastructure for migration to the Target-2 Securities (T2S) platform, a European securities settlement engine which aims to offer centralised delivery-versus-payment settlement in central bank funds across all European securities markets.

The reform brought about changes to post-trade procedures, including settlement processing, settlement cycle and registration processing.

Moreover, with the reform in 2016, the Spanish stock exchange (BME Group) introduced a central counterparty called BME Clearing, to provide credit risk management and clearing services for equities, financial and electricity derivatives and public debt repos.

Spain's market particularly benefited from the elimination of the old Registration Reference (RR) system in 2016. Market participants say this

system made it difficult for custodians to fully control the post trading system. As the RR system was unique (and not used in other countries in the world), the biggest issue was that the system was strange and complicated for non-resident investments.

Post Trade Information (PTI) was created in May 2016 and acted as an instrumental tool in removing the RR system.

PTI established an obligation for participant financial intermediaries in the Spanish system to report information to the central securities depository (CSD), providing a database through which regulators could trace trades from execution through to settlement. But due to this fact, it created a reporting obligation specific to the Spanish market that did not align with standard market practice in other EU jurisdictions.

Spanish specificities

For Spain to achieve full harmonisation, the removal of these market-level specificities is crucial.

In 2017, the Spanish market migrated to T2S. Iberclear's CEO Jesús Benito says that, since then, the Spanish post trading system has been working without any major incident or problem, providing a good level of harmonisation with international market standards.

Additionally, more than five years after the introduction of PTI, Benito affirms "[the system] is working smoothly and giving valuable information to brokers, clearing members and custodians in our market".

While settlement in T2S has not been impacted by PTI, Benito notes that the main issue that affects the PTI is that it is another national specificity. Supervisors in the country also argue that, due to new regulations in the EU, they can already obtain the information that they need without obtaining it from the PTI.

Consequently, the public authorities have proposed to eliminate the PTI in order to further harmonise the Spanish system with the other EU markets, and adapt the Spanish regulatory framework to the most recent European legislation. In this context, the Ministry of Economic Affairs and Digital Transformation published a number of legislative measures on 30 April 2021.

This included the Securities Market and Investment Services draft law and the Draft Royal Decree on Financial Instruments, Admission to Negotiation, Registry of Negotiable Securities and Market Infrastructures.

The objective of both these provisions is to improve the technical rules which control the finance system, adapting the national regulation to EU rules and introducing domestic reform to improve the competitiveness of the Spanish stock market.

Paloma Pedrola, managing director, Societe Generale Securities Services (SGSS) in Spain, explains that the aim is to carry out harmonisation of the post trading process with the rest of the European markets — thereby eliminating some of the specificities of the Spanish market, such as the PTI.

“Collaboration between the different custodians, but above all with infrastructures, is vital in a market like Spain”

These reformed rules are currently under discussion, pending their final approval. So far, there is limited visibility as far as the scope and timing of the reform is concerned.

Pedrola suggests change is already palpable. For example, the 2020 Activities Plan of the National Securities Market Commission (CNMV) included a request to the CSD to revise, under the review of the information system, a specific fee in place for settlements of ‘re-registration transactions’, and this change has already been effected in July.

With this backdrop, custodians in Spain are excited about the changes and developments that are ongoing in the country, which could see it become fully harmonised with its European counterparts and attract more investors.

Spanish trends

With development ongoing in Spain, the country’s custody market stands in good stead next to its European peers. However, due to its specificities the Spanish market is somewhat complex.

Focusing on the particular obligations around settlement and custody in Spain, the market has specific processes concerning registration and traceability which differentiate it from other European markets.

Pedrola comments: “The maintenance of the second tier registry, along with the requirement for market members and settlement entities to report the registration of trades and corporate events to the PTI, are the main issues which stand out.”

“Despite the additional workflows involved in the registration processes, which are certainly unpopular with non-resident investors, the additional rules do not seem to have a negative effect on the Spanish settlement rate,” says Pedrola.

In terms of bringing greater efficiency to the Spanish market, the draft legislation is likely to mean the removal or reduction of some of these specific processes, which will have a positive impact in bringing Spain into line with its European peers.

Collaboration is key

As Spain has experienced a great evolution with the Spanish Market Reform in 2016, collaboration between custodian and clients and different financial infrastructures is key.

“Collaboration between the different custodians, but above all with infrastructures, is vital in a market like Spain,” says Reto Faber, Europe, Middle East and Africa (EMEA), head of direct clearing and custody at Citi.

“We have always maintained a good relationship with infrastructures and regulators, who consult us when planning changes in the market, especially in the asset servicing area given Citi’s experience in event harmonisation issues. Likewise, there are several examples in which Citi has worked with the infrastructures to introduce changes in this direction.”

Citi actively promotes and initiates market changes through regular meetings with Iberclear and participation in their working groups and committees, Risk Committee, Technical Committee and recently created working groups Corporate Actions and Settlement and Users/Senior Group.

Faber adds: “Regarding collaboration with our clients, we believe that in order to provide an excellent service we have to listen to their suggestions, answer their questions and of course when necessary escalate their proposals with the market and infrastructures.”

Similarly, Pedrola also highlights the importance of collaboration in Spain. He states: “It is absolutely critical to be close to our clients and market infrastructures in order to define a framework within which our business can develop and respond to the new requirements for digitalisation and sustainable investment. A three way collaboration, sharing our different visions and necessities, is the only way to achieve an optimum design."

SGSS has worked on the Spanish market reforms closely with the CSD, which Pedrola says "has come to count on, and has expressed appreciation for, our in-depth testing and validation of the new processes which have been implemented over these years".

Challenges and opportunities

The evolution of the Spanish market has not come without its challenges for custodians.

According to Pedrola, custodians in Spain are faced with the challenge of servicing business adapted to environmental, social and governance (ESG) and digitisation, alongside the need to refine processes, systems and procedures in line with the significant amount of external regulations currently on the table.

It is widely agreed that the Central Securities Depositories Regulation (CSDR), the Shareholder Rights Directive II, the Financial Transactions Tax, Consolidation of T2/T2S, Eurosystem Collateral Management System, and now an imminent Spanish market reform make up part of the regulatory burden.

"The challenge is to carry out these projects successfully within their allotted timeframes, while also investing in innovative technology," explains Pedrola.

Despite this, however, industry participants believe that there are many opportunities for business expansion as Spain's custody market continues to evolve.

Benito notes: "BME Clearing and Iberclear as part of BME have been fully integrated in SIX Group since June 2021. We are intensively working with our Swiss colleagues to further expand our common service portfolio. We believe that there are promising and attractive opportunities in fields such as clearing, international custody and securities services."

SIX Group received approval from Spanish authorities to acquire BME Group in March 2020, which has brought both parties a step closer to a combination that would see them become the third-largest European financial market infrastructure group.

"BME Clearing and Iberclear as part of BME have been fully integrated in SIX Group since June 2021. We are intensively working with our Swiss colleagues to further expand our common service portfolio"

The transaction was made to strengthen both the Spanish and Swiss ecosystems and bring new capabilities to BME and SIX participants, while also attracting new global capital pools to Spain. For example, BME is able to benefit from SIX's knowledge of the entire value chain and from SIX's experience in financial information and distributed ledger technology (DLT), as well as its global reach. The transaction also allows BME to create a stronger platform to compete and innovate in the global financial market infrastructure sector.

Additionally, SIX has the SIX Digital Exchange (SDX), at the forefront of its DLT offerings in the financial infrastructure sector.

"We feel very confident that with our common service, SIX-BME will be very positive for the Spanish post-trading space," Benito concludes.

With lots of opportunities in store, if Spain can continue to harmonise its infrastructure and offer processing efficiency and high standards of asset safety in protecting the investor's assets, then the future for the Spanish market should remain bright. Experts believe this will attract further cross-border and domestic investment flows and provide a boost to securities markets and, ultimately, the economy. ■

Eye of the tiger

India's asset servicing industry has the eye of the tiger because despite the devastating impacts of the pandemic, it has made positive market reforms which will encourage investment as markets recover

Maddie Saghir reports

India is a populous country renowned for its rich and deliciously flavored food, and impressive architecture like the Taj Mahal. Its cricket team also just ended a 50-year wait with an Oval Test win. This beautiful and vibrant country began the year with optimism but has unfortunately faced a period of severe challenges due to the COVID-19 pandemic. Despite this, however, India's domestic capital markets are still an attractive investment destination for foreign institutions. In the asset servicing space, the market has made positive market reforms which will encourage investment as markets recover.

"We are seeing lower barriers to entry with the introduction of liberalising measures for foreign portfolio investors (FPIs) making it easier for foreign institutions to participate in the country's domestic market," says Chaitanya Joshi, head, securities services, India, Standard Chartered.

As an example, Standard Chartered has seen the streamlining of the know your customer (KYC) rules for Category FPIs and lifting of restrictions on issuing and subscribing to offshore derivative instruments (ODIs) such as participatory notes (p-notes).

The Government of India, along with Securities and Exchange Board of India (SEBI), also launched the Common Application Form (CAF) in February 2020. This form acts as a one-stop application for FPI registration, primary account number (PAN) application, and KYC registration requirements in India, which has significantly simplified the account opening process.

Additionally, participants are seeing the introduction of investment routes like the Voluntary Retention Route (VRR) and Fully Accessible Route (FAR) which have opened up the investment routes available for FPIs.

More recently, the Reserve Bank of India (RBI) said it will be allowing Authorised Dealer (AD) banks to lend to FPI clients for margins on Government Bond and Treasury Bill trades.

Industry participants have also identified that recent successful multi-billion dollar public offerings and pipelines of IPOs are indicative of the ability of new-age entrepreneurs to attract capital, showing a maturity of the Indian markets in terms of valuing start-ups with innovative business models.

With much momentum in this space to lower barriers of entry, there has also been a notable uptick in India's benchmark indices, which has resulted in approximately 36 per cent return since the start of 2020 in the Bombay Stock Exchange's Sensex and approximately 17 per cent since 2021, where the market cap of Indian listed equities has crossed the US $3 trillion mark for the first time last month.

In 2020, India was the fifth largest recipient globally of foreign direct investments (FDI) totaling $64 billion (USD) and this year the FDI inflows have amounted to more than $26 billion (USD) until May 2021, according to the World Investment Report 2021: Investing in Sustainable Recovery.

Meanwhile, on the domestic front, industry participants are seeing healthy growth in funds under management at both traditional mutual funds and alternative investment management vehicles.

Anuj Rathi, managing director and head of securities services India, HSBC explains: "India is experiencing a very encouraging shift in household asset allocation with higher retail participation in the equity markets — in the last five months, there have been over 10 million new investor accounts opened at the depositories."

Rathi adds: "This all strengthens India's position as one the top investment destinations, and a place to be for asset servicing players, which I believe emanates from macro-economic stability, sustained policy reforms and longer term prospects of the country."

A plethora of opportunities

Considering the future growth prospects of the country and its economy, it is clear that India offers a plethora of opportunities for asset managers and asset services.

According to Rathi, the market infrastructure is mature and offers product innovation, robust risk management and transparency to participants. Owing to the stability of the market platforms, asset managers are assured of consistency in operations even during times of wider market fluctuations.

Recently, simplified norms for investing in real estate investment trusts (REITS) and infrastructure investment trusts (InVITs) have generated interest from global asset managers. InVITs are a hybrid between equity and debt investment. This is set to further attract new opportunities to India's marketplace.

Rathi observes that environmental, social and governance (ESG) and sustainable exchange traded funds (ETFs) are also emerging as the two investment dominant themes, which demonstrates that India has embodied many of the global trends present in the private markets.

Weighing in on the opportunities in the pipeline for India, Mandar Mhatre, managing director, Apex India, comments: "We are excited by the prospect of the launch of Gujarat International Finance Tec-City (GIFT City) at the country's International Financial Service Centre (IFSC)."

Measures announced by the government are a significant statement of intent, designed to seize the opportunity to position India as a challenger to existing established fund jurisdictions such as Hong Kong and Singapore.

Mhatre says: "Over the coming years, we see a huge opportunity as funds seek to redomicile offshore feeder funds to the onshore financial centre. In addition, through GIFT City, India has the right environment to help it become the globe's next aircraft leasing and finance hub."

Technological growth

Technology is also set to encourage growth opportunities in India. Although Indian asset managers have traditionally used in-house software platforms to report to investors and run their businesses, managers now understand that keeping operations in-house also means owning the associated risks. As a result, they would rather outsource this to a reliable third-party. Mhatre says this means that for a fraction of the cost, Indian asset managers can take advantage of the latest, most advanced technology and are offered greater choice through a combination of the provider's joint ventures with technology firms, as well as their own proprietary platforms.

"Increasingly, Indian clients are adapting to this model, allowing them to meet technology global standards and improve their marketability with potential limited partners," Mhatre identifies.

Similarly, HSBC's Rathi highlights there is a phenomenal opportunity to utilise new technologies and fintech solutions in the Indian markets that are taking the lead in enhancing innovation and efficiency. He explains: "There is a perceptible shift on adoption of newer technologies across the breadth of securities services — clearing, settlement, corporate actions and foreign exchange services."

A recent example is the move by the Securities and Exchange Board of India (SEBI) asking depositories to apply distributed ledger technology (DLT) for recording, monitoring and creation of securities, and covenants of non-convertible securities.

HSBC has recently launched a Foreign Investor Onboarding Portal that aims to significantly improve the market entry experience for foreign investors on the basis of these changes.

Types of tech

Joshi notes there has been phenomenal growth in India over the last few years. Standard Chartered has noticed a host of new technologies being explored and used to enhance the asset servicing industry:

Cloud technology: *Custodians in India have moved on to cloud connectivity with the depositories, which enabled smooth functioning during the pandemic scenario.*

Application Programming Interface (API): *APIs are being developed between the exchanges and some custodians. This will help shorten processing times.*

Automation: *Proxy voting services, which used to be a highly manual process, have now seen a lot of technological enhancements and automations to make it seamless thereby increasing efficiency.*

Digitisation: *The acceptance of digital documentation has improved the ease of doing business. During the lockdown periods in 2020, SEBI simplified the registration process for FPIs (which previously involved submission of physical documents and common application form) by allowing the use of digital copies of KYC documents for the onboarding process.*

This was applauded and welcomed by the foreign investor community and there is now a stronger push for the process to be less paper intensive and for the FPI registration to be further digitised. It is currently pending consideration with the Indian regulators.

Challenges

One of the key challenges in India is attracting and retaining talent. Initiatives from the Indian government are set to create highly skilled jobs across the value chain including in financing and asset management, and India needs to ensure it can meet this demand.

"The existing measures such as technology, infrastructure, an accommodative tax regime along with a culture of innovation need to be matched with investment into creating a deep pool of talent. In turn, asset servicers must provide attractive workplaces to retain the best talent, through creating a supportive and progressive culture, offering opportunities for progression and championing equality," says Mhatre.

Constantly changing regulations has also caused challenges in India, similar to those faced in other markets across the globe.

HSBC's Rathi highlights that India has a supportive regulatory framework, in comparison to securities and fund markets of similar size, owing to a number of major reforms in this space.

Some of these reforms include simplification of access norms, and easing of sectoral investment caps, that have made the process of investing into India much more efficient.

However, Rathi notes: "Continuing on this journey, I think there is scope for further simplification of the market access norms that constantly rank high in the thought process of global asset managers."

Aside from the need for further simplification in the regulatory space, another challenge can be put down to legacy technology issues and the lack of agility in the current system infrastructure.

For example, the requirement of SEBI for custodians to collect, monitor and report information, with respect to the holding of Indian companies across onshore and offshore like depository receipt (DR) and ODI across registered FPI and their group entities, will require data and system enhancements of both parties to ensure accuracy.

Furthermore, as SEBI looks to reduce the settlement cycle from T+2 to T+1 to reduce settlement risk, custodians must look at how they can meet the pre-funding requirements that this is likely to present.

Joshi suggests this may be introduced alongside effective processes which may, in the short- or even long-term, be extensively manual and require additional handshakes between market participants

Rathi adds: "The easing of caps and restrictions on FPIs' investments will help ensure that the process becomes more efficient and less intensive on compliance. In the medium-term, a unified framework that simplifies and harmonises the various foreign investment frameworks and reduces operational and compliance costs for the market will provide investors with a platform for the future growth of investments into the country."

Continuous evolvement

As the market in India evolves, regulators continue to look at changes to make the Indian markets easy to access, while at the same time ensuring the risks associated with an open market are kept under check. With an eye on the huge growth potential technology is bringing to the market, Joshi states "regulators are encouraging asset management companies and payment service providers to make use of technology to ensure all data being dealt with is kept secure by way of encryptions and API-type system infrastructure".

Indeed, technology and innovation will play a huge role in how India's marketplace evolves.

Joshi states: "India is home to 21 'unicorns' and the number of start-ups joining the club is growing at a fast pace. The country is recognised as the second-largest start-up ecosystem globally with many positive factors attributing to the growth of this ecosystem, including cost-effectiveness in the availability of resources and outsourcing."

The unicorn list is a list of the most valuable private equity or venture capital-funded companies in India founded after 2000, ranked according to their latest funding round valuation.

Meanwhile, Rathi predicts: "The growth momentum of India is strong and the government and the regulators are doing a commendable job of ushering in progressive reforms. The Indian markets will continue to grow, with interest from new investors and broadening investment opportunities. It is likely to widen in its reach and offering and evolve as a vibrant, digital market that will receive the sustained interest of foreign and domestic investors over the coming decades." ■

Goal Group has appointed Daron Pearce as brand ambassador for its Europe, the Middle East and Africa (EMEA) region.

Pearce will be responsible for raising Goal Group's profile in the region as a fast-growing fintech.

Prospective clients include large asset managers, pension funds and custodian banks, Goal Group explains.

During his career, Pearce has gained a 30-year track record as a leader and innovator in securities services, most recently as CEO, asset servicing, EMEA at BNY Mellon, where he held senior roles for two decades.

Earlier this year he founded the consultancy firm Daron Pearce Associates through which he will act as brand ambassador for Goal Group.

According to the group's CEO Stephen Everard, Goal Group is "entering an exciting phase of business growth".

He says: "Daron Pearce is one of the industry's most well-respected figures, combining a deep knowledge of asset management and securities operations with an outstanding aptitude for building relationships at the highest level."

Everard continues: "With his finger firmly on the pulse of our key markets, he is the perfect fit for our newly created brand ambassador role in EMEA."

Pearce states: "I am thrilled to be joining Goal Group to assist in identifying and realising growth opportunities across the EMEA region in support of their business growth ambitions."

Pictet Asset Services, the asset servicing business line of the Pictet Group, has enhanced its team with the appointment of Duncan Lowman.

Based in London, Lowman will serve as a new business developer for Pictet Asset Services UK. He will report to Rob Lowe, head of business development UK. In his new role, Lowman will support Pictet Asset Services' expansion in the UK market through developing new partnerships offering global custody and Luxembourg fund solutions.

Lowman has 25 years of experience in the financial services industry. He joins Pictet from Link Group where he ran the client coverage team.

Prior to that, he had various sales and relationship management roles at RBC and Lloyds Bank.

Earlier this year, Pictet Asset Services opened a booking centre for external asset managers in Monaco with a local presence of dedicated client relationship managers. ■

Pearce adds: “Reclaiming withholding tax on cross-border investment income, and participating in shareholder class and collective actions, have become much more important for institutional investors over the last few years.”

Goal Group recently created a similar brand ambassador role for its APAC region, appointing Bryan Gray, who previously served as managing director, Australia and New Zealand Sales at J.P. Morgan Securities Services.

HSBC has appointed Zhu Kuang as chief digital, data and innovation officer for securities services.

Based in Singapore, Kuang will report to Richard Godfrey, global co-head of securities services, and locally to Sridhar Narayan, head of markets and securities services, Association of Southeast Asian Nations.

Kuang previously served at HSBC as head of channel products for Singapore from 2010 to 2011.

Kuang re-joins HSBC from Standard Chartered Bank (SCB) in Singapore where, for the last four years, he was global head of product innovation, financing and securities services.

Prior to SCB, Kuang served in a number of senior roles at other financial institutions, including Deutsche Bank, Development Bank of Singapore, JP Morgan Chase and Royal Bank of Scotland. ■

Leon Stavrou has been appointed as head of Northern Trust’s business in Australia and New Zealand, effective 1 October 2021.

In this role, Stavrou will be responsible for overseeing the overall strategic direction for Northern Trust’s business providing solutions to its corporate and institutional clients across the region. Stavrou succeeds Angelo Calvitto, who was appointed head of Northern Trust in Asia Pacific (APAC) in June this year. Stavrou will report to Calvitto in his new role. Most recently, Stavrou was a global services executive responsible for Northern Trust’s asset servicing operations across Australia and for ensuring the provision and development of its asset servicing solutions to clients across APAC.

During his career, Stavrou has gained 20 years of experience working within the asset servicing industry, with the last 11 years spent at Northern Trust.

Prior to joining Northern Trust, he held managerial roles at National Australia Bank Asset Servicing.

“Leon Stavrou is a proven and trusted leader and we are pleased to appoint him to lead our business in the region,” says Calvitto.

He adds: “His experience working with sophisticated institutional clients with unique requirements will support us as we continue our business momentum and bring innovative solutions for our clients across Australia and New Zealand.” ■


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