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# Rapid evolution

## Analysing fund administration's march towards technical maturity

### Russia Focus

Russia has seen custody growth and technological innovation post COVID-19

### Industry Appointments

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## EBA Clearing, SWIFT and TCH join forces to enhance cross-border payments

EBA Clearing, SWIFT and The Clearing House have completed a proof of concept as part of a new initiative, Immediate Cross-Border Payments (IXB), to make cross-border payments as seamless as the fastest domestic payment options.

IXB demonstrates the ability to synchronise settlement in one instant payment system with settlement in the other and convert real-time messages between both systems.

According to SWIFT, the concept could be expanded to additional currencies and is also replicable for more liquidity-efficient high-value payments.

The IXB initiative has had 11 banks contribute to the design, with seven banks — Bank of America, BBVA Group, Citi, HSBC, Intesa Sanpaolo Bank, J.P. Morgan and PNC Bank — participating in the proof of concept. The banks successfully exchanged payment and confirmation of receipt messages.

SWIFT says the initiative responds to the rising expectations of consumers and businesses who have experienced the benefits of domestic real-time payments and now have similar expectations for cross-border transactions.

The IXB proof of concept shows that existing regional instant payment systems can be leveraged for cross-border payments, SWIFT explains.

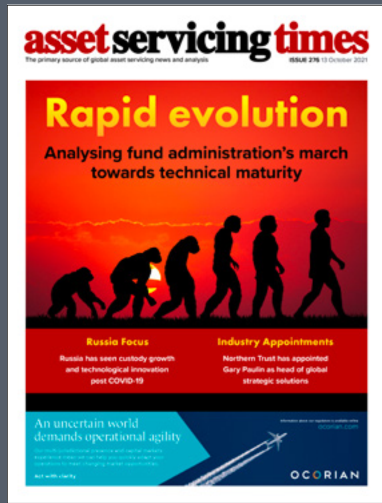
Additionally, it shows that financial institution participants of all sizes could be provided with access to a solution for cross-border payments without the need to build and connect to a separate network.

By taking advantage of existing infrastructure, technology and standards, SWIFT says IXB can help to satisfy, in the near term, customer expectations across the globe for a simple and more transparent way to send cross-border payments.

“By leveraging the RTP network in the US and RT1 in Europe, along with ISO 200022 message formats, IXB demonstrates that a faster cross-border payments capability is possible and can be delivered using existing technology,” says Russ Waterhouse, executive vice president for product development and strategy at The Clearing House.

Erwin Kulk, head of service development and management at EBA Clearing, comments: “IXB demonstrates how the current ecosystem of cross-border payments may be enhanced and made suitable for new high-volume 24/7 business. In combination with an international request to pay, its potential applications would be limitless.”

David Watson, chief strategy officer for SWIFT, adds: “Linking market infrastructures and financial institutions is a fundamental pillar of our strategy to enable instant and frictionless transactions around the world, and one of the key building blocks in the CPMI’s global roadmap on enhancing cross-border payments.”

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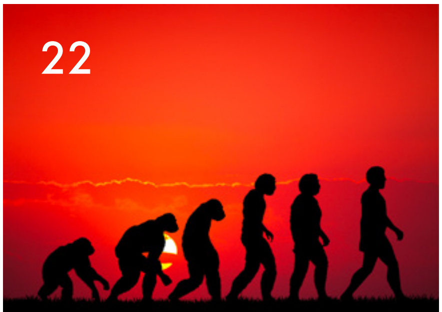
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## Bitpanda and Fabrick join forces to enhance Italian digital assets trading

Digital investment platform Bitpanda and Italian banking solution provider Fabrick have partnered to facilitate access to digital assets trading for the end-customers of Italian traditional banks and fintechs. The partnership will allow Fabrick's customers access to a portfolio of more than 170 digital assets through access to Bitpanda's White Label solution.

Bitpanda's White Label solution enables both established and new clients to offer their customers access to digital assets such as cryptocurrencies, fractional stocks and exchange-traded funds as well as custody services.

The White Label solution allows customers to research an asset via Bitpanda's tools to invest in it. The solution also offers portfolio monitoring and future asset trading options.

Fabrick, the first company to utilise Bitpanda's White Label solution, will connect its services to Bitpanda's technology through a set of application programming interfaces.

The trading process takes place within the Bitpanda associate's native mobile banking app under Fabrick's existing branding, while Bitpanda executes the trades and establishes the custody of the assets in the background.

Established in 2014, Bitpanda is headquartered in Austria, but has recently opened a new office in Milan and looks to expand the local team.

Orlando Merone, country manager of Bitpanda Italy, says: "We are delighted to announce our strategic partnership with Fabrick, which will accelerate the digital transformation of the Italian banking ecosystem, enabling both established and innovative players to offer their clients digital assets, as well as custody and wallet services."

Paolo Zaccardi, co-founder and CEO of Fabrick, comments: "Fabrick is proud to partner with a trusted operator such as Bitpanda and consequently make a truly innovative and accessible investment service available in Italy through our open finance ecosystem." ■

## KDPW reduces clearing, recording of securities, and corporate action fees

KDPW, the central securities depository (CSD) of Poland, is offering 13 temporary fee reductions in clearing, recording of securities and corporate action processing from 1 October to 31 December 2021.

In pursuit of a strategy of business expansion through revenue diversification and service development, the KDPW Group regularly reduces its fees and offers temporary fee reductions in order to stimulate selected market segments.

Earlier this year, KDPW temporarily reduced fees for general meeting shareholder identification. As a result, issuers whose shares are recorded in KDPW have saved approximately PLN 800,000.

Since 1 July 2021, KDPW has been offering the option of advance payment for annual legal entity identifier (LEI) renewal for two to five years, which reduces the cost of LEI renewal by up to 23 percent.

According to Maciej Trybuchowski, KDPW president, as an infrastructure provider, the KDPW Group companies not only deliver reliable services to financial market participants, including recording, safe-keeping, clearing, and settlement of securities but also follow a pricing policy that supports the growth of the market and its participants.

"This is why we have decided to temporarily reduce more than a dozen fees for clearing, recording of securities, and corporate action processing," explains Trybuchowski.

## Citi gains custody mandate from BEA Union Investment

Citi has been appointed by BEA Union Investment Management as fund custodian and administrator for its first mutual fund restructure comprising five funds into an open-ended fund company (OFC) structure. Citi has been providing custody and fund services including fund accounting, transfer agency and foreign exchange share class hedging to BEA Union Investment since 2013.

An OFC is a legal structure for Hong Kong domiciled funds with variable capital that can be used for both traditional and alternative funds.

Citi has been active in the OFC space and has been providing custody and fund administration services to OFCs since the regime was launched by Hong Kong's Securities and Futures Commission in July 2018.

David Russell, Asia Pacific head of securities services and Hong Kong markets head at Citi, comments:

"We are honoured that BEA Union Investment has selected Citi for its inaugural OFC fund restructure."

"We have been able to provide custody and fund services to OFC funds since their inception and we continue to invest in our custody franchise to meet the needs of our institutional clients."

Eleanor Wan, CEO of BEA Union Investment, says: "We are undertaking our first ever fund structure conversion from unit trusts to an OFC as we are committed to ensuring that our investment vehicles are structured in the most efficient manner and well-positioned for market development."

Wan adds: "It is also a move to support the government's initiative to facilitate Hong Kong as an asset management hub.

Citi as a custodian has unparalleled experience in this field and is, therefore, a natural partner." ■

Trybuchowski adds: "The reduction of clearing fees will provide savings to brokers and custodian banks."

"The reduction of fees for the recording of securities and corporate action processing will provide savings to issuers, investment funds, and paying agents."

## EACH responds to ESMA's EMIR consultation

The European Association of CCP Clearing Houses (EACH) has responded to the European Securities and Markets Authority's (ESMA) consultation on draft guidelines on reporting under the European Market Infrastructure Regulation (EMIR).

ESMA's consultation paper included draft guidelines on a wide range of topics related to reporting, data quality and data access under EMIR Refit.

The paper focused on how reports should be constructed and in what circumstances reports should be made. This includes reporting logic, reporting in the case of delegation as well as under provisions on allocation of responsibility for reporting, the population of specific sections of fields, and the correct population of fields for different reporting scenarios and different products.

EACH welcomes increased guidance and suggests ESMA should work collaboratively with the industry to provide more extensive guidance and worked examples of reporting.

In particular, EACH believes guidance is needed for valuation reporting considering the importance of monitoring systemic risk in the financial system.



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ESMA expects counterparties to report the value of the contract provided by the central counterparties (CCPs), but in order to harmonise the CCP valuation reporting and for regulators to achieve risk oversight, more extensive guidance and worked examples are needed, explains EACH. Additionally, the association highlights that ESMA should consider the differences between exchange-traded derivatives (ETD) and over-the-counter reporting.

"We believe that ETD risk sits at the position level, and it is in regulators' interest to focus on ETD position level reporting rather than transaction level reporting to effectively monitor systemic risk," says EACH.

According to EACH, it is also important for ESMA to consider proportionality, and notes that reporting zero contract value on a daily basis when a position is netted to zero adds no value to regulators only adds additional operational burden on reporting counterparties.

"We believe a strong dialogue between regulators and market participants is essential to improve the reporting consistency under EMIR."

The association comments: "EACH members welcome collaborations between ESMA and CCPs, and look forward to further engaging with ESMA and other regulators to build a robust and efficient reporting regime."

## ASX needs to place 'high priority' on operational risk and margin standards, says RBA

The Australian Securities Exchange (ASX) will need to place a 'high priority' on addressing recommendations related to operational risk and margin standards, affirm regulators at the Reserve Bank of Australia (RBA) and the Australian Securities and Investments Commission (ASIC), after their review of the exchange's clearing and settlement facilities. The regulators say the ASX have conducted their clearing and settlement affairs in a way that promotes overall stability in the Australian financial system. However, they add that the ASX needs to address some elements of its trading platform upgrade project.

RBA's and ASIC's decision to run a review came after ASX suffered a power outage on 16 November 2020, following a major upgrade to its Nasdaq equity trading platform, ASX's Trade. The Australian regulators viewed these operational incidents with significant concern.

To examine the issues, the RBA informed ASX that an independent review of the ASX Trade Refresh project would be conducted in the first half of 2021.

Now published, the review, entitled 2021 Assessment of the ASX Clearing and Settlement Facilities, outlines that ASX needs to ensure the clearing and settlement facilities' business and their regulatory and stakeholder obligations receive appropriate attention and focus within the broader ASX group.

The RBA indicated that ASX must ensure that its board has access to the skills, experience and understanding needed to supervise ASX's programme of technology upgrades, and this should also apply to its modernisation of its clearing house electronic sub-register system, more commonly known as CHESS.

The CHESS replacement programme will also be subject to an independent external review, cites the RBA.

Commenting on the 2021 review, Michele Bullock, RBA assistant governor, says: "The

ASX clearing and settlement facilities underpin well-functioning financial markets and a stable financial system. While these facilities have contributed to overall financial stability during the past year, [the RBA's] 2021 assessment recommends a number of important steps for ASX to further strengthen their resilience."

RBA also indicates that ASX needs to clarify the lines of responsibility and accountability for the operation of the clearing and settlement facilities and broaden its 'customer' focus to include all stakeholders.

Last month, Dominic Stevens, CEO of ASX, apologised for the disruption caused by the November power outage and took responsibility for strengthening ASX's operational resilience.

He commented: "Last November's market outage fell short of ASX's high standards. We believed that the software was ready for go-live, as did our technology provider Nasdaq. Clearly there were issues, which was particularly disappointing given the significant progress we have made on resilience in recent years."

## SEC proposes amendments to Form N-PX under Investment Company Act

The Securities and Exchange Commission (SEC) is proposing to amend Form N-PX under the Investment Company Act of 1940 to enhance the information mutual funds and exchange-traded funds currently report annually regarding their proxy votes. The SEC says this is in an effort to make information easier to analyse. The proposal aims to look at the scope of Form N-PX's current reporting obligations, a managers' exercise of voting power, additional scoping matters for manager reporting of say-on-pay, and votes identification of proxy voting matters, among other aspects. SEC is also proposing rule and form amendments under the Securities Exchange Act of 1934, also known simply as the Exchange Act, that would require an institutional investment manager to report annually on Form N-PX — essentially how it voted for proxies relating to executive compensation matters, as required by Section 14A of the Exchange Act. The proposed reporting requirements for institutional investment managers, if adopted, would complete implementation of Section 951 of the Dodd-Frank Act, says SEC.

In his statement, acting chairman of the commission Elad Roisman says that while he was voting for the proposal he had some concerns surrounding the provisions related to securities lending.

"[SEC] has clearly stated that advisers and their clients can shape their relationship however they choose, including with respect to how and when advisers vote client shares. This guidance should allow for a wide variety of fund strategies — including those that prioritise voting, for investors who believe influencing corporate governance is important to their investments, and those that prioritise other ways of realising value." ■

## T+1 for equities will be standard within five years, predicts Citi

Some 50 per cent of market participants responding to a Citi survey predict that immediate settlement will be achievable within five years, and emerging technologies, such as distributed ledger technology (DLT), will be a key factor for enabling this (46 per cent). In the survey, part of a whitepaper entitled “Securities Services Evolution”, 44 per cent of market participants surveyed expect the prevailing settlement timeframe for equities to be T+1 within the next five years.

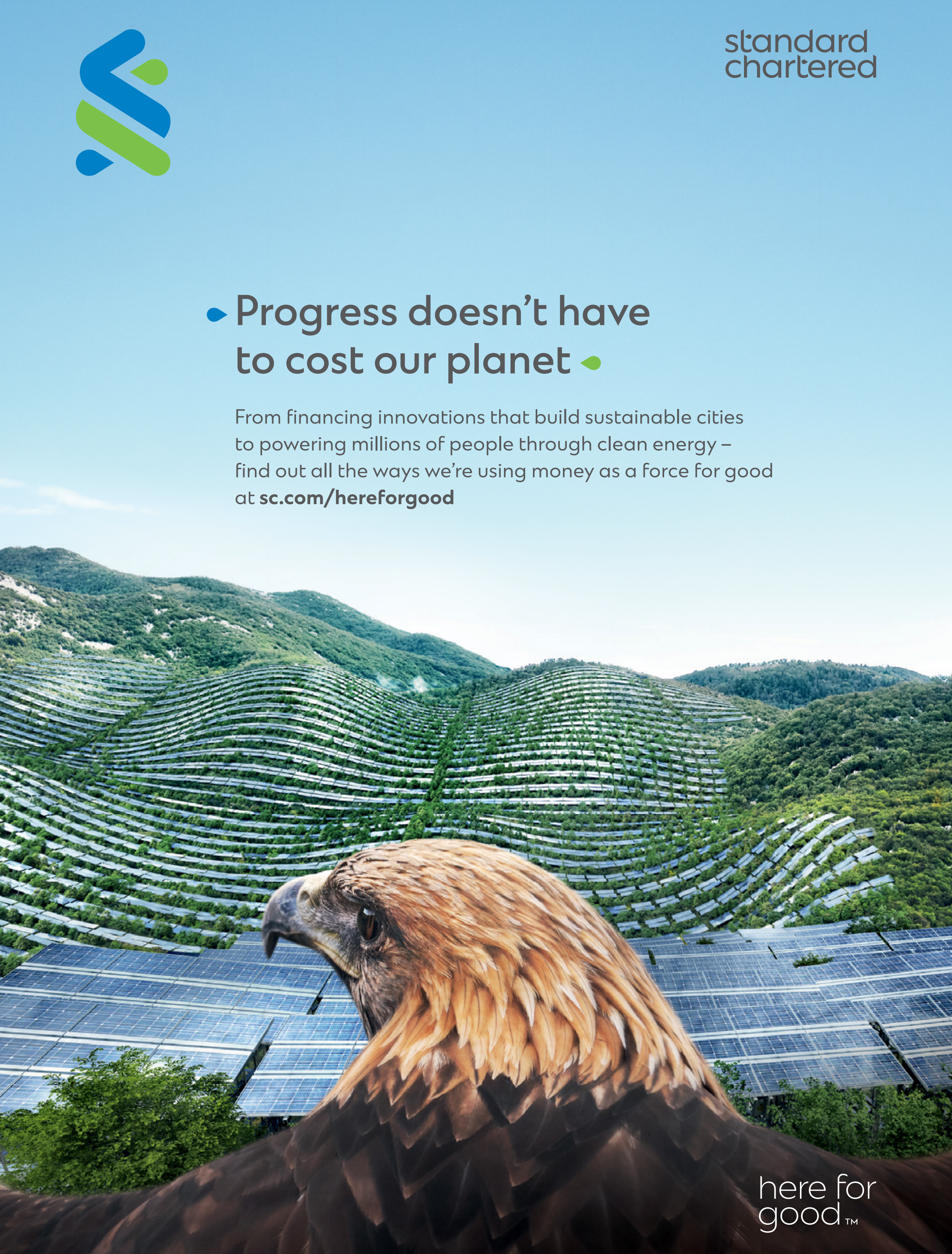
Citi found that settlement compression continues to be one of the most pressing issues for the equities post-trade industry, with the planned transition to T+1 in the US, together with the recent global volatility spikes. The global bank also found that half of market participants (57 per cent) would require some investment for additional capability to accommodate any reduction in settlement cycle while only 29 per cent believed that their existing technology would be adequate. While the pandemic has accelerated and condensed many existing efficiency and digitisation initiatives, it has also given rise to a “whole new set of previously unforeseen challenges”, Citi says, including managing through periods of higher volatility.

This combination of factors are driving market participants to re-examine how the settlement process could be accelerated and simplified to reduce risk.

Financial market infrastructures (FMIs) see the major benefit of reducing settlement cycles as risk reduction, which will in turn enable lower margin requirements and the release of capital, Citi cites. However the bank found 44 per cent of market participants ranked greater efficiency in investment and trading processes as the greatest benefit of a shortened cycle for their respective organisations.

Most FMIs interviewed did not consider technology as a barrier to settlement compression as they had already undertaken considerable planning and investment in technology during the last transition (from T+3 to T+2).

Market participants however had an opposing view, with almost 50 per cent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indicating that upgrading legacy technology would be a key factor.

The greatest challenge to achieving a shortened cycle from a FMI perspective was business process efficiency and alignment, in contrast to market participant respondents of whom only 10 per cent ranked this as a primary key factor, Citi highlights.

Market participants instead saw cash, funding and liquidity management as the greatest obstacle.

Most FMIs did not view DLT as necessarily essential for settlement compression, but drew a distinction between T+1 and T+0, only seeing a role for it concerning the latter. However, 64 per cent of market participants believe a DLT-based market infrastructure would significantly or moderately improve overall market efficiency and reduce costs.

The whitepaper survey includes quantitative and qualitative data gathered from 15 FMIs and almost 400 market participants including as banks, broker-dealers, asset managers, custodians and institutional investors across Asia Pacific, Europe, Latin America and North America.

## Clearstream opens new link to Serbian capital market

Clearstream, the international central securities depository (ICSD) of Deutsche Boerse Group, has connected the Serbian capital market to its global network.

Raiffeisen Bank International will act as local custodian and operator of Clearstream's account at the Serbian central securities depository (CSD).

Clearstream highlights that it is the first ICSD to offer international investors seamless access to the Serbian capital market by enabling the settlement of Serbian government bonds denominated in Serbian Dinar (RSD).

According to Clearstream, this step aims to attract cross-border investments and improve liquidity in the domestic capital market.

Meanwhile, Clearstream customers will benefit from an omnibus account structure, which increases operational efficiency, and its suite of ICSD services, including offshore (internal) settlement to other Clearstream Banking clients without the need to revisit the domestic market. The linkage comes following the recent inclusion of Serbia's dinar-denominated bonds in a series of major local-currency emerging markets indices, such as J.P.

Morgan's Government Bond Index-Emerging Markets and their Government Bond Index-Aggregate.

This step triggered a significant increase in turnover on the secondary market as well as an arrival of new buyers of related bonds and foreign investment funds. The inclusion pays testament to the strengthening of the domestic macroeconomic environment in Serbia and years-long efforts to develop the local financial market.

The Republic of Serbia's Ministry of Finance welcomed Clearstream in opening its new link to the Serbian capital market. The ministry expects this step to create strong links with global depository centres to introduce advanced services for market participants, as well as to facilitate the access for international investors to the Serbian capital market while strengthening bridges between local issuers and international investors. ■

**Sibos: Panellists discuss payments systems interlinkages for cross-border payments**

The need to link market infrastructures is a hot topic gaining a lot of traction, and panellists at the Sibos conference discussed this during the session 'Payments systems interlinkages for cross-border payments: What's the end game?'.

*Read the full article online*

**Sibos: The world where we can operate as self contained entities is 'evaporating before us'**

The future of the financial services ecosystem will be digital and data-driven, but most importantly it will be interconnected, according to Kahina Van Dyke, global head of digital channels and data analytics, Standard Chartered.

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**DTCC's CTM now used by more than 1,800 firms**

The Depository Trust & Clearing Corporation's central trade manager service for US domestic trade matching has grown to more than 1,800 firms, with organisations further consolidating global post-trade flows on a single platform.

*Read the full article online*

**Broadridge launches AI-powered Anti-Money Laundering Solution**

Broadridge has announced the launch of its Anti-Money Laundering Solution (AMLS) which extends its existing Intelligent Automation suite.

AMLS will deliver an end-to-end machine learning-powered anti-money laundering platform covering transaction monitoring, name screening, alert prioritisation and customer risk scoring.

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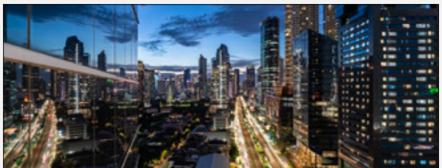

**Deutsche Bank automates tax processes for post-trade settlement in Indonesia**

Deutsche Bank has launched an automated workflow platform for the administration of capital gains withholding tax during the post-trade settlement process in Indonesia, utilising the Xceptor Tax Solution.

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**IHS Markit partners with DTC**

IHS Markit is connecting its corporate actions Software as a Service with the DTC's products and services to enhance corporate actions lifecycle management processes for its clients. The offering is expected to launch in Q4 2021.

*Read the full article online*

# From Russia, with growth

**Despite being hit hard by COVID-19 — much like the rest of Europe — Russia is now one of the continent's leading international trailblazers when it comes to custody growth and technological innovation**

**Jenna Lomax reports**

Russia is famous for its rich history, ethereal architecture and literary heroes. For many years, it has been renowned as a global financial hub to boot, with its capital Moscow placed at the beating heart of it all. But it is particularly in the last two years that the country has offered — and been given — a rapid increase of invitations for more cross-border dealings, particularly within the asset and securities finance space.

Before the pandemic, the country steered a raft of changes, mostly led by the Moscow Stock Exchange and its accompanying National Settlement Depository (NSD), Russia's central securities depository (CSD).

In 2019, the NSD successfully debuted on SWIFT's gpi service which let NSD clients conduct cross-border real-time payments and track the status of payments for the first time. In addition, that same year, Raiffeisen Bank International, one of the country's leading banks, was selected as the first foreign custodian bank to establish a foreign nominee securities account with the depository.

All positive developments, but for much of Europe, the early days of the pandemic brought extreme economic fragility and uncertainty, and Russia was not immune to this. In the months after the first wave in 2020, navigating a new working-from-home environment while still maintaining effective and efficient back-office operations was, at first, a challenge and adjustment for most.

Despite this, Russia appears to have recovered from the after effects of the COVID-19 pandemic well.

## COVID-19 recovery in 2021

By the end of Q2 2021, the value of securities in custody at NSD reached RUB69.5 trillion (US$1 trillion), a 32.6 per cent increase against the same period in 2020.

Evgenia Klimova, head of custody service department at Raiffeisenbank Russia, says this is largely due to the aforementioned invitations for cross-border dealings. She cites an important cross-border admission as “the entrance of international stocks to trade on MOEX — the most popular being US and European stocks that were listed at the exchange with the primary target to capture growing retail flows”.

But the primary driver above all, MOEX indicates, was Russia’s resilient economic recovery from the pandemic, of which Russia itself had an important hand in.

Long before AstraZeneca, Pfizer and Moderna vaccines were readily available, Russia led the way in 2020 when Sputnik V — also known as Gam-COVID-Vac — became the first COVID-19 vaccine to be registered for use in any nation, way back in mid-August 2020.

Though being distributed nationally before trial tests, it faced some international scepticism. However, Phase III trial results, published in February 2021, by Gamaleya National Research Center of Epidemiology and Microbiology in Moscow, suggested that it is 91.6 per cent effective at preventing symptomatic COVID-19 infection.

Its subsequent take up, in more than 60 countries across the world, came to reflect this confidence.

Kirill Dmitriev, CEO of the Russian Direct Investment Fund, comments: “Data published by the leading medical journal The Lancet demonstrated the efficacy of Sputnik V at 91.6 per cent. The analysis of infection rate data of almost four million vaccinated people in Russia shows that the efficacy of the vaccine is even higher, reaching 97.6 per cent.”

An important enabler of getting the Russian economy back on track, Sputnik V’s wide distribution across the country, as early as the summer of 2020 — added to other vaccination programmes globally — readied “an inflow of ‘COVID’ money and new investors into the Russian market”, says MOEX.

*"The development of AI will be one of the NSD's permanent priorities"*

**Moscow Stock Exchange**

This was combined with the "evolution of online channels which in turn supported the inflow of more investors into the market. The low key rate at the start of 2021 made the securities market look more appealing, resulting in increased securities transactions", the exchange highlights.

Stark contrast to just a year earlier, when COVID-19 began to spread across Russia like wildfire. Lockdown was first imposed for Moscow on 30 March 2020, with other regional stay-at-home orders implemented in the following April.

However, the country's back-office capabilities were capable of withstanding the uncertainty that came with the logistics of remote working, especially Raiffeisenbank Russia, Klimova indicates.

At the start of remote-working "there was a need for a quick reconfiguration of data servers, lines and routing infrastructure", she says. "But the technology advancements in our bank had started several years ago, therefore we were well prepared."

The quick adaptation in Russia to working remotely enhanced both the reliance on and resilience of technologies. However, for MOEX, artificial intelligence (AI) and machine learning (ML) were already well-utilised even before the pandemic, with their resiliency spotlighted when home-working became a necessity.

"ML helps automate the process of analysing information that used to be difficult for a machine to deal with, especially during corporate actions season, while the use of AI is being used to forecast system loads and to prevent incidents," highlights a MOEX spokesperson.

MOEX says that in the coming years, NSD will be using both AI and ML to tackle the business task of automated recognition of unstructured information, with the development of AI being one of its "permanent priorities".

From Raiffeisenbank Russia's perspective, Klimova says there has been an "improvement of market practices in secured transmission".

And for the back-office, in particular "online account opening, documents exchange, the ability to source and deliver data online [are things] which have become a must in the market these days".

## Separating trading member and clearing member status

The summer of 2021 brought the news that MOEX had introduced separate trading member and clearing member status for participants on the Russian execution venue and central counterparty (CCP), allowing foreign banks with clearing interests in the Russian market to offer sponsored access to the MOEX National Clearing Centre (NCC) CCP. This move enabled its clients to hold cash and collateral in the foreign bank's accounts with NCC for the very first time.

This will also provide non-residents with access to the deposit with CCP segment of the money market, enabling them to manage cash positions in Russian rubles and foreign currency.

MOEX says: "These new opportunities for non-resident clearing participants allow international clients trading on MOEX to minimise credit and counterparty risks and increase the volume of transactions in Russian assets."

It adds: "Developing business with international participants strengthens MOEX's position as a pricing centre for Russian assets. The opportunity for international financial institutions to become direct clearing members in all markets will allow them to expand their operations."

MOEX is further supporting this by allowing non-residents to keep collateral and cash in foreign bank accounts with NCC. MOEX says this move also acts as a tax agent for transactions concluded on MOEX by non-resident clearing members and their clients.

It adds: "This development in service will reduce the risks of non-resident clearing members, which, in turn, will increase their trading limits on the Russian market."

However, though extremely promising, Raiffeisenbank Russia's Klimova says the move is not without its challenges.

"MOEX and the CCP are still pretty much internalised systems-wise and not integrated or interoperable with other major CCPs", she says. "Therefore for global clearing providers getting connected directly to a market which is pretty much different to others, is rather cumbersome."

For now at least "it seems to be more of a good setting for a regional provider with strong local presence", she cites.

*"The market challenges we have had during the last year or two have highlighted the need to be adoptive, dynamic and structured, enabling us to address the fast changes in the market"*

**Evgenia Klimova, Raiffeisenbank Russia**

## The present and the future

Last month, the NCC was granted Qualified Derivatives Dealer status by the US Internal Revenue Service, enabling the clearing house to process dividend equivalent income on US securities.

With this development, the clearing house will be able to process dividend equivalent income on US securities, including income transferred as a result of repo trades.

In addition, since 27 September 2021, market participants have been able to trade international shares in USD, either in their own account or on behalf of clients.

By the end of 2021, MOEX expects the number of international shares available for trading on its platform to rise to around 500 — another aspect of cross-border dealings and developments leading to securities finance growth.

When asked what 2022 and beyond will bring for the country MOEX says another area of growth the exchange has a hand in is the "active promotion of sustainable development concepts in the financial market" and this is evidenced by new asset types emerging in the Russia market, including as green bonds, social bonds, environmental, social, and governance (ESG) index derivatives, ESG-focused funds and exchange-traded funds.

Addressing what comes next, particularly in the context of the pandemic's after effects, Raiffeisenbank Russia's Klimova says: "The market challenges we have had during the last year or two have highlighted the need to be adoptive, dynamic and structured, enabling us to address the fast changes in the market."

She forecasts: "Given the market pace at the moment, in five years, we will see a completely new setting of technology, product set and service types at the leading service providers in Russia."

Though she warns, as the new market paradigm in the country requires "heavy investments in IT, new views on services and product types", the "gap between those who caught up with the market and those who did not will only widen". ■

# Rapid evolution

**Fund administration has evolved rapidly in the last decade, from an industry using manual and often disjointed processes based on spreadsheets, to one where sophisticated systems and technology are essential.**

**Maddie Saghir reports**

It is hard to believe that birds could have evolved from dinosaurs. But over time, many things have the ability to change or develop slowly, often into a better, more complex, or more advanced state.

Some things, of course, evolve more quickly than others. Take for instance the evolution of technology. The iPhone was introduced in 2007 and Apple co-founder Steve Jobs saw something no one else did when he said the “iPhone is like having your life in your pocket”.

Today, everyone you know probably has a smartphone and can do virtually anything on it — such as book a taxi, order a pizza, go on a shopping spree, or facetime someone from across the globe.

Compared to other industries, technology in the financial services industry has not evolved with particular rapid speed. But one area that has seen particularly fast evolution is the fund services space.

“Fund administration has evolved rapidly in the last decade, from an industry using manual and often disjointed processes based on spreadsheets, to one where sophisticated systems and technology are essential,” says Nigel Strachan, head of private equity sales, Europe, Apex Group.

Fund administration is now integrated through all stages of the investment process, right through to portfolio monitoring solutions.

Strachan identifies that in years gone by, the market was characterised by many small, boutique players, but now, as the alternative asset industry becomes more sophisticated, funds require their administrators to have the scale to support them as they grow. Funds expect their administrators to operate and have a presence in all the jurisdictions in which they do business, to provide them with a global service and solutions.

Historically there has been a reluctance for private equity firms to cede the control of some of their operations to third-party service providers.

However, the intensified demands of the pandemic demonstrated the benefits of outsourcing fund administration functions, as a more economical way of accessing wider resources and operating infrastructure which they may not have the capacity to build or maintain themselves.

Rosemary McCollin, sales director, private equity, Vistra UK, comments: "Access to technology and data is a trend beyond fund administration, but our industry is quickly coming up the curve in this area, while also managing continual change in requirements such as ESG frameworks and how we use artificial intelligence to support managers further."

Jay Peller, head of fund services, Citco Fund Services, adds: "Fund administration has been continuously evolving for many years in response to client needs, changing markets and shifting priorities across the industry. The need for fund administrators to adapt has largely been driven by the increased allocation to alternative investment strategies."

For example, traditional managers launching alternatives strategies need a specialist that has a proven track record in servicing multi-asset portfolios and alternatives fund structures. Without this, they will struggle with institutional operational due diligence (ODD) and transparency requirements.

## Challenges

Despite the rapid evolution of the fund services space, industry participants suggest that challenges still remain.

Evolving client demands is one such challenge. Ryan Taylor, head of funds, Jersey, Suntera Global, says: "As clients' (and investors') desire to be more informed in all elements of the fund, the demand for access to information increases, requiring administrators to be more efficient and utilise technology to service clients."

Peller notes: "One of the biggest challenges facing fund administrators now is the ability to successfully service clients that have such diversified needs."

According to Peller, to do so, asset servicers need to move away from being a traditional fund administrator to instead be a client's operational backbone and their foundation for growth.

"The only way to do so is to be a specialist, and as lines continue to blur across asset classes, never before has the necessary expertise within these sectors been needed, creating a requirement to invest in staff and to attract the best talent in order to meet these needs," Peller explains.

Leading asset servicers now provide a broad range of services and bespoke data solutions across multiple asset classes. Beyond the standard back-office procedures, this includes middle-office services (treasury, payments, collateral management), and the digitisation of investor relations (for improved efficiency and security of subscription and redemption processes). Additionally, the need for technological innovation is required to improve operational efficiencies in areas that managers may struggle to do themselves, for example cash and collateral management, reconciliation or waterfall calculations.

However, McCollin explains: "The rise of low-cost automated platforms to support basic fund or special purpose vehicle (SPV) set up is a welcome industry change, but leads to the question of balancing automation through technology and personalised investor services support."

When a private capital manager's client base is high touch, the benefits they may gain from automation can come at the cost of a stronger investor experience.

McCollin says: "The challenge of reducing administrative tasks must be balanced against investor needs and support."

Taylor adds: "As technology develops, it is important for administrators to adapt to fully utilise these changes in a responsible manner while considering the impact to operations and regulations when doing so."

*"Fund administration has been continuously evolving for many years in response to client needs, changing markets and shifting priorities across the industry"*

Regulation is also another challenge in the fund administration space. There is a constant need for regulation to be updated both on a global and local perspective to keep in step with stakeholder requirements and to protect interested parties.

"An important challenge is the regulatory changes to protect all stakeholders. Although welcome for its desire to improve the industry, it brings about changes and considerations for administrators to ensure their clients remain compliant with updates and changes," explains Taylor.

## Opportunities

In terms of opportunities, the market has seen a huge amount of consolidation and purchases by private equity sponsors that appreciate the annuity revenue stream.

However, McCollin warns that this does not mean that the fund administration industry will end up in a few player monopoly; there has, and always will be, teams that carve out a space for their niche or client style.

"The ongoing technology improvements in our space for managers and investors means that there will continue to be new players with new capabilities and service offerings," says McCollin.

Meanwhile, Peller notes: "As managers increase diversification across asset classes, move into hybrid strategies and access a wider range of investment vehicles, the complexity of investment administration will continue to grow."

"In this environment, we see the need for continued innovation and adoption of emerging technology now more than ever, whether that be through proprietary offerings or leading third-party partnerships."

Asset Servicing Times finds that asset servicers will increasingly need to assist managers with more complex operational due diligence requirements to meet greater investor transparency demands.

"Helping managers meet tomorrow's challenges will continue to extend to ESG, where factors such as ecological impacts, employee engagement, and business ethics have become increasingly vital non-financial indicators of the health of businesses and investments globally," says Peller.

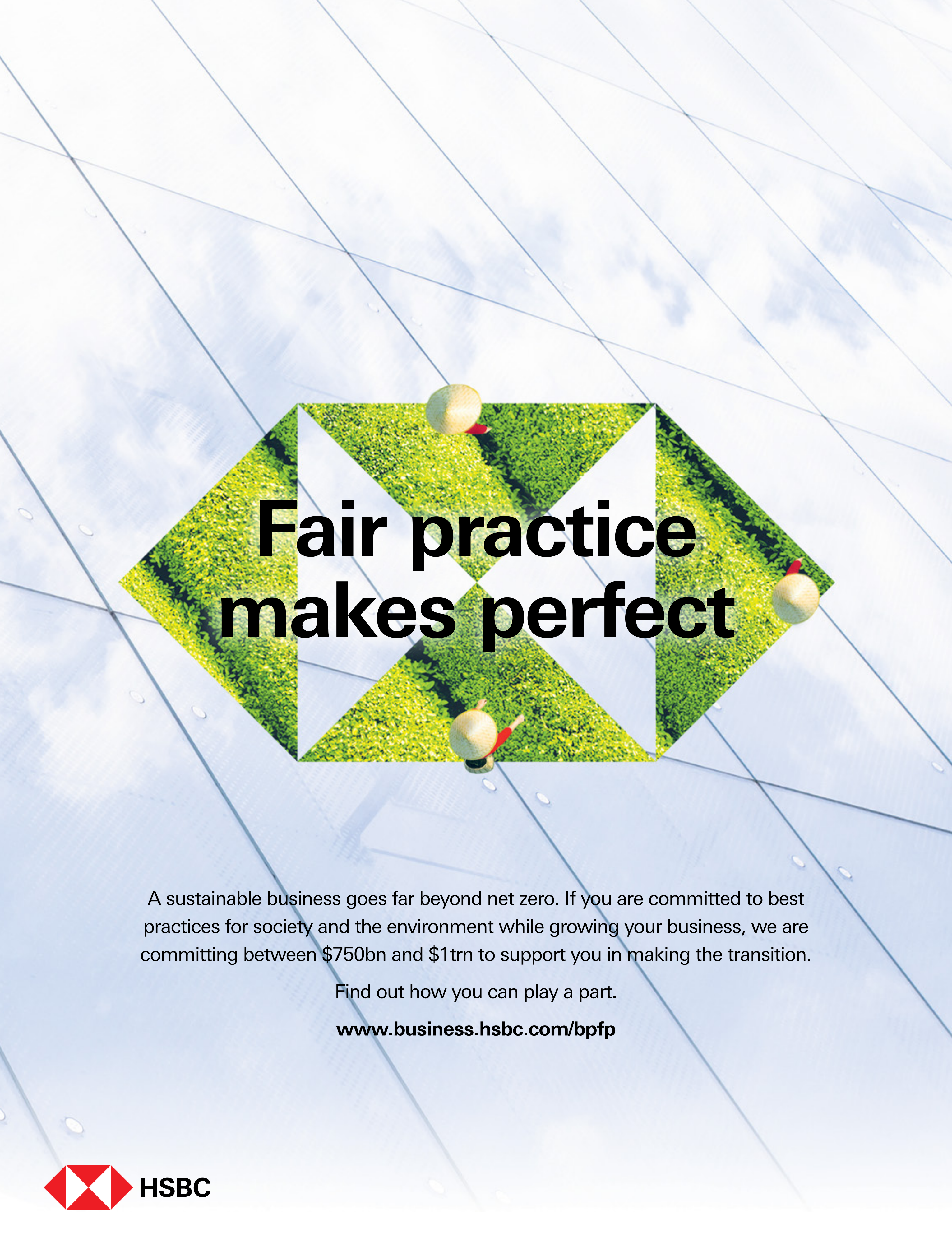
Given the level of institutional participation in alternatives and the regulatory scrutiny that many are under, Citco sees ESG as being a critical factor for the asset servicing industry in a different form as well.

Independent administration remains a compelling and highly sought-after value proposition in the recognition that transparency and managing conflicts of interest is critical to good corporate governance.

According to Peller, this will continue to be a key part of the future of the fund services industry and providing a true, unbiased service from an independent provider, with a focus on putting clients and their investor requirements first, will continue to be part of best practice.

Weighing in on the opportunities for the future of fund administration, Taylor muses: "Opportunities are different for each player, be it those looking to service well-established managers and investors and develop their business to meet those needs, or those looking to assist new entrants and managers with a smaller resource base to establish themselves through more bespoke service offerings."

He concludes: "Jersey remains a key jurisdiction and one that provides a high-quality standard both through its regulation and service provision, and continues to attract new managers looking for best in class for their investors." ■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# The Asset Servicing Times Industry Excellence Awards

## 2021 Shortlists

### European Fund Administrator Of The Year

- Apex Group
- BNP Paribas Securities Services
- Societe Generale Securities Services
- Northern Trust

### Americas Fund Administrator Of The Year

- Apex Group
- Sudrania Fund Services
- CIBC Mellon
- SEI

### Asia — Pacific Fund Administrator Of The Year

- State Street
- BNP Paribas Securities Services
- Apex Group
- Sanne

### Client Service for Fund Administration Award

- Apex Group
- Maples Group
- CIBC Mellon
- Link Group

### Global Fund Administrator Of The Year

- Apex Group
- BNY Mellon
- Northern Trust
- SS&C Technologies

### European Custodian Of The Year

- BNP Paribas Securities Services
- Northern Trust
- SEB

### Americas Custodian Of The Year

- BNY Mellon
- State Street

### Asia Pacific Custodian Of The Year

- State Street
- BNP Paribas Securities Services
- Standard Chartered
- BNY Mellon

### Client Service for Custody Award

- CIBC Mellon
- SEB

### Global Custodian Of The Year

- Northern Trust
- BNY Mellon

2021

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INDUSTRY EXCELLENCE AWARDS

## Digital Asset Custody Initiative Award

- Onchain Custodian
- SECDEX Group
- State Street
- Societe Generale Securities Services
- CIBC Mellon

## Best Asset Servicing Technology Product

- Calastone
- Smartstream
- Confluence Technologies
- Fenergo
- EquiLend

## Asset Servicing Regulatory Solution Of The Year

- AccessFintech
- Broadridge
- TCS
- SIX
- IHS Markit

## Outstanding Innovation Award

- Goal Group
- FIS
- EquiLend
- SS&C Technologies

## ESG Initiative 2021

- Apex Group
- BNP Paribas Securities Services
- SIX

## Equity, Diversity & Inclusion Initiative 2021

- Women in Securities Finance
- Women in Asset Servicing

## Network Management Team Of The Year

- NSD Russia
- RBC Investor & Treasury Services
- SEB

## Asset Servicing Rising Star 2021

- Charlotte Baker — Goal Group
- Pardeep Cassells — AccessFintech
- Ewa Skala — BNP Paribas Securities Services
- Anshul Rajput — SmartStream
- Sharde McCorkle — Sionic

## Lifetime Achievement Award

- Patrick Colle — BNP Paribas Securities Services
- Margaret Harwood-Jones — Standard Chartered
- John Byrne — Sionic
- Bill Stone — SS&C Technologies

www.assetservicingtimes.com/industryexcellenceawards

**SteelEye, the compliance technology and data analytics firm, has appointed Brian Lynch as president of its new US office.**

Based in New York, Lynch will be responsible for SteelEye's US footprint, leading the firm's commercial expansion in the North American market. Lynch has extensive experience in innovating, building, and implementing technology solutions in the financial services industry in a career spanning more than 25 years.

In 2011, Lynch joined Risk Focus from UBS. As CEO of Risk Focus, Lynch drove the development of a regulatory-focused software solution that he then utilised to co-found RegTek Solutions, where he was also CEO from 2017 to 2019.

Bloomberg acquired RegTek Solutions in 2019, which led Lynch to spend two years integrating his product into Bloomberg's regulatory platform before leaving to join SteelEye.

Commenting on the appointment, Smith says: "Brian's experience in the industry is second to none, making him the perfect choice to lead SteelEye's US business. Our North American clients will benefit hugely from his extensive regulatory background. Brian's knowledge and understanding of the regulatory challenges financial firms in North America face will be invaluable."

Lynch comments: "I am thrilled to join SteelEye at such an exciting stage for the business. The abundance of regulations and regulatory change in the European markets has encouraged innovation in the region. While competition is strong in the UK and Europe, the North American markets are not as well served."

**Northern Trust has appointed Gary Paulin as head of global strategic solutions for its asset servicing business.**

In this newly-created position, Paulin will report to Pete Cherecwich, president of corporate and institutional services at Northern Trust.

Based in London, Paulin assumes the role having previously been global head of integrated trading solutions, Northern Trust's outsourced trading capability.

He has more than 20 years' experience within the financial services industry, having joined Northern Trust in 2016 after the bank's acquisition of Aviate Global LLP, an institutional equity brokerage firm which he co founded.

Paulin's appointment supports Northern Trust Whole Office — an approach that integrates Northern Trust's global asset servicing platform with partners, facilitating client access to new technologies, services and solutions, across the spectrum of strategy and trading, operational, data and digital and analytics solutions.

Commenting on Paulin's appointment, Cherecwich says: "As our capabilities to support the front-office continue to grow, so do our client interactions. Gary's expertise and experience to build relationships at a senior level with the front-office will be key."

He adds: "This strategic appointment also underscores our commitment to client collaboration and co-creation to help clients execute on their overall business strategy." ■

He adds: “The US financial services market is broad and offers a tremendous opportunity for solutions that have proven themselves in a rigorous regulatory environment and I am excited to bring SteelEye to the US client base.”

**Stuart Winny has left Citibank, North America after 17 years of service.**

Based in London, Winny has moved to BNY Mellon to take up the role of director and head of tax product development for custody and fund services.

Commenting on his new role via LinkedIn, Winny says: “After 17 fantastic years with Citi working with many talented individuals I am excited to share that I have accepted a new opportunity.”

Winny’s appointment comes after BNY Mellon bolstered its asset serving business with the appointments of Hadley Stern, David Schwed, and Benjamin Duve.

In their new roles, Stern, Schwed, and Duve will support digital asset technology, digital custody and blockchain at BNY Mellon, respectively.

**Intertrust Group has appointed Zoe Sheehan and Mark McKeary to strengthen and support its continued expansion into the private capital sector.**

Based in London, Sheehan has joined as managing director of the private capital team with responsibility for leading Intertrust Group’s European sales efforts within the private capital division.

Sheehan joins from State Street where she was managing director, alternative sales. Prior to this, she worked for Sanne as director of sales.

Meanwhile, McKeary also joins Intertrust Group as commercial director of the funds team. He has 20 years of experience in financial services. Most recently, he was director of funds at IQ-EQ, and before this he held senior positions at Augentius and Heritage International Fund Managers.

The two appointments follow the addition of industry veteran David Sarfas to Intertrust Group as head of private capital, and Barbara Martin who joined as global commercial director in Luxembourg where she is responsible for driving Intertrust Group’s private capital efforts across mainland Europe.

**James Lowry has left his role as chief operating officer (COO) of State Street’s Alpha solution to become COO at Janus Henderson Investors.**

Lowry, who began the Alpha role in January 2020 has left the bank after more than 11 years of service.

Based in Boston, Lowry has held a number of senior positions at State Street since August 2010, including senior vice president, DerivOne derivative and collateral services.

From January 2019 to January 2020, Lowry was senior vice president at Charles River Development, a State Street company.

Commenting on his exit from State Street via LinkedIn, Lowry says: “My time at State Street has been an adventure. I have learned tremendously and had the privilege to work with a great many people within State Street and externally. The many relationships I have built make it pretty difficult to leave, but I am also looking forward to a new challenge in a new firm.”

State Street’s Alpha aims to allow institutional investors to manage the lifecycle of their infrastructure, private equity, real estate, private debt and fund of funds investments through an integrated, digital front-to-back, single platform.

The solution is designed to reach across key areas including cloud-based asset management, deal management, ESG, investor relations and portfolio monitoring.

**Mark Husler, managing director and CEO of UnaVista, has stepped down from his role to become managing director of property development company, NovaVita.**

Husler founded UnaVista, the regulatory reporting platform, owned by London Stock Exchange Group, in 2008. Prior to setting up UnaVista, Husler had been head of business development at the exchange since 1998. Earlier this month, the European Securities and Markets Authority (ESMA) fined UnaVista for eight violations of the European Market Infrastructure Regulation (EMIR).

The fines, totalling €238,500, are linked to the failure of the UK-based trade repository to ensure data integrity and to provide direct and immediate access for financial supervisors to this trade data.

The eight breaches of EMIR requirements took place between 2016 and 2018 and were found by ESMA to be the result of negligence on the part of UnaVista. ■

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