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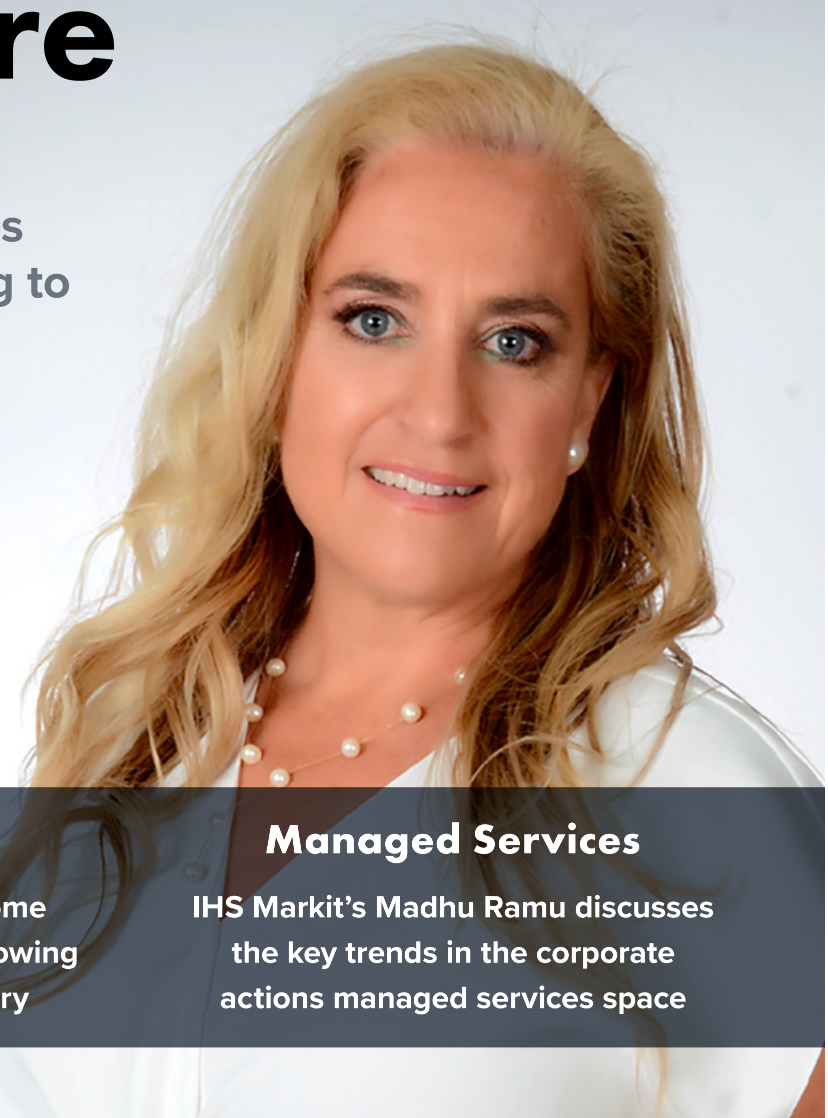
Addressing the future

Mature network management software is adapting and innovating to meet future challenges



API Insight

APIs have been around for some time but their significance is growing in the asset servicing industry

Managed Services

IHS Markit's Madhu Ramu discusses the key trends in the corporate actions managed services space

Euroclear supports use of CBDC for settlements

A consortium of institutions, led by Euroclear, have successfully experimented with central bank digital currency (CBDC) for settling French treasury bonds on a test blockchain.

The experiment, which was commissioned by the Banque de France, included Agence France Trésor, BNP Paribas CIB, Crédit Agricole CIB, HSBC, and Societe Generale.

IBM provided Euroclear with design and platform features, including privacy-preserving tokens and hybrid cloud capabilities.

The objective of the experiment was to assess if a wide range of operations and functionalities can be run on a blockchain platform and to identify, from a user point of view, the added value of blockchain technology.

The experiment covered a range of core securities settlement operations including securities issuance, primary market and secondary market trades, and liquidity optimisation mechanisms such as repo and interest payments.

The experiment also demonstrated that a blockchain platform can co-exist and interoperate with existing market infrastructure, Euroclear says.

A research paper outlining the experiment's findings, written by Euroclear in collaboration with other leading industry leaders, outlines that having client settlement flows taking place directly on the blockchain platform will allow custodians to reduce (or even remove) the reconciliation workload with their clients.

This increased level of transparency could also facilitate the identification of end investors and ease the registry management for issuers, the paper mentions. It adds that CBDC and security tokens can be easily transferred across different blockchain platforms because of their atomicity and simplicity, which makes them ideal for cross-border purposes.

For this reason "blockchain could therefore facilitate a reduction of the settlement cycle to T+1 or even T+0 leading to capital and margin cost reductions", the paper says.

The post-trade functionalities for the experiment were developed and rolled out over a 10 month period.

Isabelle Delorme, deputy CEO of ESES CSDs Euroclear France, Euroclear Belgium and Euroclear Nederland (pictured), comments: "We are extremely pleased to have worked on this pioneering project with our industry partners and the Banque de France."

"Together, we have been able to measure the degree to which the issuance of CBDC can offer fast and secure settlement of tokenised securities. We are well aware that there are still challenges that need to be overcome before we can envisage the implementation of blockchain platforms in production as we continue to investigate all routes to drive efficiencies for our clients."

The successful experiment follows LiquidShare and Banque de France's experimental use of CBDC for interbank settlement purposes back in early July 2021.

The experiment tested delivery versus payment for both listed and non-listed securities on blockchain across the entire lifecycle of securities, spanning issuance and registration to secondary market operations' settlement. Using blockchain technology, all processes were validated, including the functions of creation, control and destruction of CBDC tokens belonging to Banque de France.

The consortium, made up of 15 entities and more than 45 individuals, represented a wide variety of participants across the ecosystem, with Euronext acting as the marketplace and Euroclear France as central securities depository. ■

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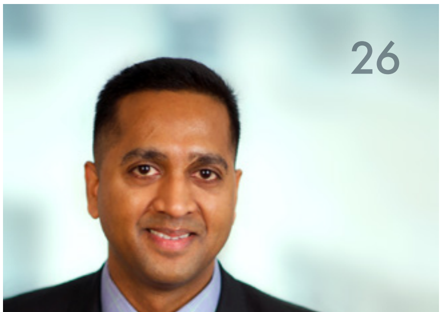
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National Australia Bank enhances post-trade lifecycle via DTCC's ALERT

National Australia Bank Asset Servicing (NAS) is set to submit and maintain standing settlement instructions (SSIs) directly via the Depository Trust & Clearing Corporation's (DTCC) ALERT service. The ALERT platform is an online global database for the maintenance and communication of accounts and SSIs. It enables a community of investment managers, brokers-dealers, custodian banks and prime brokers to share accurate accounts and SSI automatically worldwide. NAS is now leveraging ALERT's Global Custodian Direct workflow, which automates the exchange of SSIs between a custodian's central repository and ALERT.

According to DTCC, this enables the global custodian/prime broker to own and manage the SSI data for their buy-side clients, effectively creating the 'golden copy' within the ALERT platform, further automating the maintenance of SSIs and driving reliable source data.

Wayne Francis, head of network management and custody support, NAS, says: "We pride ourselves on being client-centric and saw great value in maintaining and providing SSI data to our regional clients through ALERT, thereby eliminating the need for them to manually enter SSI details and improving our internal data management processes."

"With ALERT, we are able to bring greater efficiency, risk mitigation and accuracy to the post-trade settlement process for our client-base," Francis explains.

Bob Stewart, executive director, institutional trade processing, DTCC, comments: "We are pleased to have NAS entering and managing SSIs directly through ALERT as a data source provider."

Stewart adds: "SSIs represent a significant pain point for firms, as missing or incomplete SSIs are a common cause of trade failures. Centralisation and automation of high quality, golden source SSI data published by custodians lowers the chances for failed trades while improving efficiency and auditability, key wins for NAS and their clients." ■

BoE launches CCP supervisory stress test

The Bank of England has launched its first public supervisory stress test of UK central counterparties (CCPs).

This supervisory stress test (SST) will be conducted during 2021 and 2022 and will apply to UK-registered CCPs, notably ICE Clear Europe, LCH and LME Clear.

This exercise will explore the resilience of UK CCPs in response to system-wide credit and liquidity risk challenges, along with implications of these stresses for wider parts of the financial system.

Initial testing will be exploratory in nature, used alongside industry feedback to the Bank's discussion paper on CCP supervisory stress testing to refine its SST regime and methodology.

The credit risk element in the SST exercise will evaluate whether CCPs' resources can withstand a combination of market stress scenarios and the default of clearing members.

This will include situations where all UK CCPs are responding to the same stress situations at the same time.

The liquidity risk component will test CCPs' ability to meet all of their cash requirements in a combination of market stress situations and the "non-performance" of clearing members and service providers.

This will factor in concentration costs that may result if CCPs liquidate large directional exposures simultaneously into already stressed markets.

Kane Solutions gains fund administration license in Mauritius

Kane Solutions, the specialist provider of product and fund administration solutions in the international life, pension and investment sectors, has been granted a collective investment scheme/fund administration license from the Mauritius Financial Services Commission. The Mauritius office forms part of Kane Solutions' global network, which includes fund administration and trust business operations in Bermuda, fund administration services in Dubai and insurance management and fund administration services in Malta.

Harish Bhoyroo has been appointed as managing director of Kane Solutions (Mauritius), and will be responsible for the day-to-day management of the Mauritius administration team and for driving the company's regional sales and growth strategy for product and fund administration.

The team will provide services extending from pre-launch fund guidance through to full operational and regulatory requirements. This will include net asset value calculation, portfolio accounting, registrar and shareholder/investor, and tax information services, as well as providing shared services to the wider Kane Solutions Group.

John Uprichard, CEO of Kane Solutions, comments: "Setting up a fund administration operation in Mauritius has always been a part of the broader growth strategy of Kane Solutions. This new operation means that our global network now covers all time zones and provides an excellent hub from which to service clients in Africa, India, and the wider Asia Pacific region."

Bhoyroo says: "Kane Solutions has a high calibre leadership team with significant experience and expertise in both product and fund administration, and I was attracted by Kane's global presence and its long-term vision for Mauritius."

"Our focus will be on delivering excellent customer service and exploring opportunities in the region to develop long-term strategic partnerships with local, regional and international fund managers in Mauritius," adds Bhoyroo. ■

The testing process will apply four market risk scenarios with increasing severity.

Reverse stress testing will be used to evaluate CCP resilience in the face of a combination of market stress scenarios, clearing member default and concentration costs.

This will also model the degree to which CCP resources become depleted, beyond normally accepted levels, under different stress conditions.

Finastra and AccessFintech collaborate to bring data transparency and efficiency to syndicated loan market

Finastra, a pure-play software vendor, and AccessFintech, a data-sharing network, have announced that they will team up to bring greater data transparency, efficiency and industry-wide collaboration to the syndicated loan market.

By integrating Finastra's Fusion LenderComm platform and AccessFintech's Synergy DataLake, they intend to accelerate the availability of data to lenders and strengthen internal operations and collaboration between agents, lenders and service providers.

This collaboration also aims to digitise the market, eliminating the need for fax, email and telephone calls and making reconciliation more efficient.

Finastra's platform will enable Fusion Loan IQ agents to provide data to the Synergy DataLake, enabling agents to publish and lenders to access contract and transaction level data, manage and monitor their operations and facilitate


Linedata

operational efficiencies through transparency and collaboration. To complete the integration between the two platforms, updated loan data will be sent from Synergy to Fusion Loan IQ via straight-through processing as part of the Fusion LenderComm offering.

Speaking on the collaboration, Cory Olsen, loans business manager at AccessFintech, says: "Finastra and AccessFintech are both committed to digitising the market and making it more transparent."

"This joint initiative enhances efficiency for both agents and lenders, allowing agents to share data instantly and benefit from centralised workflows and collaboration."

Amy Walker, vice president of Fusion LenderComm at Finastra, adds: "Our partnership helps to solve the pressing industry challenge for both sides of the market around digitisation of data."

"Finastra and AccessFintech are placed to deliver greater transparency for the loan market. AccessFintech's network and collaboration capabilities will ensure that we reach all market participants."

Technology investor Silver Lake acquires ICE's stake in Euroclear

Global technology investor Silver Lake has acquired Intercontinental Exchange's (ICE's) 9.85 per cent stake in Euroclear for €709 million. Formed in 2000, ICE operates global exchanges, clearing houses and provides mortgage technology, data and listing services around the world. Silver Lake's acquisition of ICE's stake in Euroclear is subject to customary closing conditions and regulatory approval. Depending on this approval, the transaction could close as soon as H1 2022. Headquartered in the US, Silver Lake has more than US$88 billion in combined assets under management and committed capital, with offices based in North America, Europe, and Asia.

As part of the acquisition, Silver Lake has requested that a representative of Silver Lake join the board of Euroclear.

Euroclear, the Belgium-based provider of post-trade security settlement, custody, collateral management, fund management and data services has €35.2 trillion of assets under custody.

Financial advisory service Moelis & Company served as ICE's financial advisor on this transaction while Stibbe served as legal advisor.

Asset management and financial advisory firm Lazard served as Silver Lake's financial advisor and Simpson Thacher & Bartlett and Loyens & Loeff served as legal advisors.

Christian Lucas, co-head of Silver Lake for Europe, Middle East and Africa, says: "We are thrilled to become a shareholder of Euroclear."

"As a leading technology investor, we look forward to contributing to Euroclear's future growth, which is more than ever driven by innovation." ■

AFME calls for review of capital buffer framework after COVID-19 crisis

The Association for Financial Markets in Europe (AFME) has published a paper investigating the impact of the COVID-19 pandemic on the use of the buffer framework and recommends improvements to its viability.

The capital buffer framework was mandated under the Basel III regulatory reforms after the financial crisis of 2007-8. It allowed banks to draw on their capital buffers to ensure lending to the economy continued and to avoid a crisis.

This is the first time that the use of capital buffers has been called into action since the framework was established as part of the reforms post the financial crisis.

An AFME report reveals that despite encouragement from central banks, very few banks dipped into their buffers, primarily because of the stigma associated with triggering the Maximum Distributable Amount (MDA) — the

SBI Securities centralises settlement operations with Broadridge

SBI Securities has extended its partnership with Broadridge Financial Solutions by migrating the post-trade operations of its Hong Kong and Singapore businesses to Broadridge's cloud-based application service provider (ASP) service in Asia. The centralisation of settlement operations will add new services to ensure the automation of confirmation and statement output to SBI Securities' clients, who range across investment trusts, foreign equities, foreign exchange margin trading, and futures and options. Under the expanded partnership, SBI Securities will also leverage Broadridge's SWIFT service bureau to automate SWIFT messaging channels, which allows the online securities broker to outsource the entire post-trade processing value chain to Broadridge. The Broadridge platform will ensure simplified compliance with market change on the part of SBI Securities, as well as improved resilience and cost efficiencies.

Ichiro Takahashi, head of global operations at SBI Securities, explains: "Broadridge's global multi-asset capabilities, together with local presence and expertise in the unique and complex requirements of Japan and Asian markets, has been a winning combination for us in support of our business growth plans."

"We are excited to service our clients more effectively by benefiting from the flexibility, scalability and resilience of Broadridge's latest ASP service,"

Ian Strudwick, managing director, head of Asia Pacific at Broadridge, adds: "Our ASP solution enables SBI Securities to centralise their settlement operations, accelerates their move to the cloud and will ensure they always have access to the latest versions of our world-class technologies and increased automation to better serve their clients in the region." ■

capital level that a financial institution must meet in order to make distributions such as dividend and remuneration pay-outs.

In light of this, the report has recommended a rebalancing of the Capital Conservation buffer and Countercyclical Capital buffer; better coordinated supervisory communication; and a more transparent, rules-based MDA framework.

Constance Usherwood, director of Prudential Regulation, at AFME says: “As we emerge from the pandemic it is important so see what lessons can be drawn from the way in which regulators expected banks to make use of the capital buffer framework and how effective this was.

While the industry welcomes the supervisory measures which were taken, supporting banks to continue lending, there is evidence to suggest that in practice banks did not want to draw on their buffers due to negative interactions with other parts of the macroprudential framework, such as MDA triggers.”

Usherwood adds: “We think the usability of buffers could be improved by reducing stigma from breaching MDA triggers through a rebalancing between the Capital Conservation buffer and the Countercyclical Capital buffer.”

“In addition, there is room for improved and coordinated supervisory communication and a more transparent, rules-based MDA framework.”

The Financial Stability Board and Basel Committee on Banking Supervision have both recognised the need to make buffers more releasable in their assessments of the policy measures taken during the pandemic.

The European Commission has also mandated the European Banking Authority to review the macroprudential framework in advance of a legislative review in 2022, which will consider the overall design of the buffer framework. ■


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AuM at world's largest asset managers reach new record

Assets under management (AuM) at the world's 500 largest asset managers have reached a new record of US$119.5 trillion, according to new research from the Thinking Ahead Institute. The research, conducted in collaboration with Pensions & Investments, a US investment newspaper, confirms growing concentration among the top 20 managers whose market share increased during the period to 44 per cent of total assets.

As of the end of 2020, this represents an increase of 14.5 per cent on the previous year when total AuM was previously $104.4 trillion. Investment manager Blackrock has retained its position as the largest asset manager in the ranking, followed by Pennsylvanian firm Vanguard which has held second place position for the seventh consecutive year.

Of the top 20, 14 are US managers, accounting for 78.6 per cent of the top 20 by AuM.

Passive investments represent 26 per cent, an increase of 16.2 per cent compared to a 15.4 per cent growth in actively managed AuM.

According to the research, passively-managed assets under management among the largest firms grew to a total of $8.3 trillion in 2020, up from $4.8 trillion in 2016.

Client interest in sustainable investing increased across 91 per cent of the firms surveyed, while 78 per cent of managers increased resources deployed to technology and big data, with a further 66 per cent increasing resources deployed to cyber security.

A majority of managers (59 per cent) experienced an increase in the level of regulatory oversight. Of the top 500 managers, 221 names which featured on the list a decade ago in 2011 are now absent, demonstrating a quickening pace of competition, consolidation and rebranding, says the institute.

Roger Urwin, co-founder of the Thinking Ahead Institute, comments: "We have witnessed unprecedented change within the investment industry, accelerated dramatically by the pandemic."

"In particular, sustainability is no longer just a luxury for some firms. Instead, during the pandemic, asset managers from all corners of the world have become even more aware of the interconnectedness of the financial system with society and the environment."

He adds: "Asset managers have always had the ambition to develop and innovate. We have seen this particularly with ESG mandates, which increased by 40 per cent in 2020. The biggest contributor to this was the growth in ESG exchange-traded funds." ■

AFME: T+2 is quicker than it used to be, but is it enough?

The settlement date for stocks used to be T+5, or five business days after the transaction date, before moving to T+3, and now most markets operate on a T+2 settlement cycle. But panellists at the AFME conference discussed whether or not the T+2 cycle is enough.

Read the full article online

AFME: Pandemic acted as a 'call to arms' for post-trade industry to improve 'cumbersome' technologies

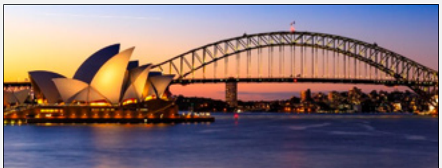
The COVID-19 pandemic acted as a "call to arms" for the post-trade industry to improve "cumbersome and outdated" technologies, according to Archie Stebbings, partner at management consulting firm Oliver Wyman.

Read the full article online

AFME: The regulator will 'struggle' to catch up with the evolving digital assets space

It is an exciting time for custodians in the digital asset domain but there are lots of considerations to take into account for products and services in this space, as well as organising the institutional demand versus the retail demand, according to AFME panellists.

Read the full article online



Goal Group opens new office in Sydney

Goal Group has opened up a new office in Sydney, Australia, as it scales up its global client services function to support new business growth.

The Sydney office is Goal Group's second location in Australia. The group says this reflects strong demand from the investment community for both withholding tax reclaims and securities class actions recoveries.

Read the full article online

J.P. Morgan reveals Q3 2021 results

J.P. Morgan has revealed that its markets and securities services revenue was $7.5 billion for Q3 2021, which marks a decrease of 4 per cent compared to Q3 2020.

Securities services revenue was $1.1 billion, up 9 per cent. J.P. Morgan says this was largely driven by fee growth.

Read the full article online

The industry is struggling to reap digitalisation benefits, TrustQuay survey finds

TrustQuay's Future Focus Report has identified that while firms believe digitalisation, automation and innovation should make them more competitive and valuable, the industry is struggling to move forward to reap the benefits.

Read the full article online

Examining the present and addressing the future

Ana Sancho, global head of sales at MYRIAD Group Technologies, talks to Jenna Lomax about how mature network management software is adapting and innovating to meet future challenges

Jenna Lomax reports

What impacts have you seen in your market during the last 18 months and what have you learned from them?

No one can argue that the market has been more fundamentally impacted by the pandemic than any event since the financial crisis. Naturally this applies to all other industries and the world at large. The operational difficulties and the human tragedy have been felt by everyone, individuals and companies alike. Chief among the great many business lessons to be learned is how to ensure that your institution is resilient; what tools are in place to see that even the most extraordinary events can be weathered? That lesson is as deep and intense as you like, since so much by way of risk management, compliance, infrastructural soundness and more can and should be covered, as it is in **our latest white paper on network management data**. As a company, we have learned something very basic and quite reassuring from the upheaval, which is that we can continue to operate as an organisation, entirely remotely, without loss of productivity or detriment to either effective operations or strong client service.

We have continued to sell well and make the most of the evolving environment; opportunities and interactions have come along that may not have done otherwise. We are aware that how we work presently will continue alongside the traditional, office-based, face-to-face way as business reverts to the latter, and it will add many strings to the company's bow as the two methods go hand-in-hand. Naturally, we rely on sales as well as established clients, and the demise of in-person meetings has impacted us significantly as forums and conventions have gone virtual, hands unshaken and relationships underdeveloped. There really is no substitute for the subtle nuances of physical interaction that propel a meeting or social conversation to a partnership or business relationship.

How will the lessons of the last 18 months inform and guide you for the foreseeable future?

Fortunately, the events of the last 18 months have served to strengthen our approach and appeal to existing and prospective clients alike. With home-working, security is paramount for bank staff working remotely. Our ISO/IEC 27001 certification confirms one of our key strengths and is a great asset in these times; the pandemic has placed extra emphasis on how important working securely is. It is vital that we maintain the highest standard of self-audit and security going forward, and we have a rigorous and comprehensive programme in place to ensure that we do so.

As our clients' perspectives and priorities have shifted recently, we must respond as quickly and effectively as possible. Our understanding of the financial institutions and network manager's concerns must be keen and evolve with their focus and concerns; industry developments must be a priority if we are to appreciate how best to serve them and inspire confidence in those we approach. Of course, this has always been true, but in times of such fundamental upheaval, it becomes critical.

How and where do you see operational stresses testing governance, risk and compliance (GRC), particularly with staff bouncing between the office and home?

The stresses we have had to bear have not proved too onerous due to the minimal impact of the pandemic upon our operations and productivity. Before the pandemic, staff worked from home regularly as part of our business continuity plan-disaster recovery. The fact that we have been able to serve our clients seamlessly and in keeping with best practices has had a direct bearing upon how our own GRC has been relatively unaffected. The fact that we have onboarded three new clients in the last 18 months, completely remotely, is a testament to the appeal of our offering in this "virtual" business environment.

Our clients have been rather more tested, with almost the entire apparatus of financial services institutions having to be run from kitchen tables, studies, bedrooms and balconies around the world, with all the accompanying disaster recovery and business continuity implications. Some companies were quick to see their staff set up with laptops and virtual private networks (VPNs) (where software was not cloud-based) to ensure seamless and reliable connectivity. The speed of work varied considerably from bank-to-bank, so operational risk was greatly heightened. The lion's share of banking operations has moved into employees' homes in short order. Many important executives were initially saddled with sub-standard equipment that made workflow much slower. A variety of operating systems at home are difficult to manage by support teams, and with the only regulatory-compliant form of real-time communication being email, delays in response times were inevitable.

I know from our own in-house training that growing numbers of devices and VPNs on institutions means a heightened risk of cyber-attack and exposure increased by additional work-related devices at home. All forms of cyber-attack will evolve along with the growth of the work-from-home network. Encryption and device security have also been concerns and additional strain has been exerted upon the effectiveness of the framework as infrastructures are affected by increasing remote access.

There are emerging risk and compliance issues; many firms see a need to bring new technologies like video conferencing and instant messaging platforms into the scope of existing risk management, control and compliance functions. I believe that regulators will wish to ensure that provisions are made to properly regulate these tools.

On top of all this come the different audit challenges that have emerged, as audit staff have less access to individuals and their offices, leading to delays in accessing systems and data. Completely new professional behaviours must be monitored and proceduralised, with the associated risks fully assessed.

In terms of our clients' network management function, our software provides a level of security and risk management that supports their operations.

Do you see a deepening appreciation of the benefits of digitisation and how it feeds digitalisation?

It is what we do; one might say it is chief amongst the goals that we seek to achieve for our clients. Which company these days does not want to convert its analogue assets to digitised form, to make their business models operate better? Essentially our clients, and more or

> *"Our overriding challenge is keeping ahead of the market, constantly anticipating what the banks and others need to make the most of their assets and relationships"*

less every firm we talk to, seek to do what they have always done: using technology to make it more efficient. We have been doing this for many years and see it only gathering pace. The tremendous benefits of the subsequent digitalisation of current practice creates value. People are realising that using technology generates new ways of thinking, new ways to expand the business into new markets, to offer different products, and to appeal to new customers. It is about pursuing different kinds of opportunities, made possible by new technology, and the industry needs to be wholly invested in this approach.

How are you positioned for the future in terms of your products? What opportunities do you see?

We look for evermore innovative ways to develop so our clients can master their data. Leading the opportunities we have identified is the broad subject of counterparty risk, but with a subtle flavour that has the potential to pick up on data that is un-utilised or under-utilised. If we can help clients tap into these resources, which are yet to be exploited — to make better use of the data they already have — then this will add great value, both for them in terms of de-risking their operations, and for our own broader market appeal. A newly found focus on regulatory compliance has also recently emerged.

Our company has become a member of International Securities Services Association and the Securities Services Advisory Group in support of all those participants working towards improvement across the industry. This is an ideal time for such collaboration and we are looking forward to making contributions to them, and learning from other members.

As things stand, we feel well-placed since we are growing steadily, expanding into the Americas and cementing our reputation globally. We have a tremendous rolling innovation programme, a combination of internal and external workshops that constantly explores new features and functions, and our existing work with invoicing and product-alignment is proving particularly exciting. With a full pipeline for the remainder of the year, we should see the emergence of those initiatives into practice in 2022.

What are your current innovation challenges and how are you developing potential solutions to meet them?

Our overriding challenge is keeping ahead of the market, constantly anticipating what the banks and other institutions need to make the most of their assets and relationships. We have done this very well in the past and we still see many gaps in the market.

Broadening our appeal is always important to us and we are taking MYRIAD to different audiences that can benefit from its extensive capabilities. We are tailoring our approach to the risk, regulatory and compliance communities and highlighting its fundamental data management capability. To this end, our current marketing efforts include the sponsorship of a whitepaper that highlights the relevance of network management data to the risk management function and to compliance with regulations that affect our clients. This has been published in association with A-Team Group and we think it is both illuminating and thought-provoking.

We have a wealth of expertise in the form of ex-network managers in the company, so we are very well positioned to understand the thinking and concerns of our clients and prospects alike. Often, they make their challenges known to us and these become ours to address and we can develop a solution for them.

The contacts and friends we have in the industry means that we can draw on a vast pool of talent to support our research and development. Their interests and ours are mutual and such collaboration is invaluable in providing the industry with truly innovative, practical and useful technology. ■

The fuel powering digitisation

APIs have been around for some time but their significance is growing in the asset servicing industry as experts say they are the fuel powering digitalisation

Maddie Saghir reports

Application programming interfaces (APIs) foster improved data movement between applications and across ecosystems, resulting in reduced costs, improved efficiency and an overall better experience for customers.

APIs enable greater process automation and real-time connection between systems. This is accelerating innovation, including opening asset servicing platforms to new applications based on disruptive technologies such as machine learning and blockchain.

While an API is not a new construct, it has become increasingly significant in the past few years within the asset servicing industry. For example, in August this year Citi Treasury and Trade Solutions (TTS) Asia Pacific revealed it had processed close to 350 million API calls for corporate clients since the launch of APIs for corporates in 2017.

The growing popularity of APIs can be attributed to the growing digital environment where data is exchanged online in real time.

"By nature, APIs are nimble, thus requiring less effort to collaborate with the customer applications. This collaboration makes it easier for asset servicing and transaction processing organisations to work in real time, circumventing the historical challenges of sharing large files of event data, reference data, positions data and entitlements," explains Vishal Sharma, vice president, enterprise architecture, API lead for investor communication solutions at Broadridge.

The incorporation of real-time event data using APIs enables event processors to have access to event data from source, in real time, enabling their clients' access to event information as near to market availability as possible.

According to Sharma, this is key when it comes to decision-making and trading strategies that are wrapped around corporate action event processing.

API connectivity to position management systems allows the event processors to see positions updated in real time, ensuring that the data being used to process the event is the most up-to-date data at that point. This allows for entitlements to be calculated and communicated in real time, also using APIs.

APIs play a large role in helping financial services firms evolve their infrastructure and achieve digital transformation, and the 2021

"Real-time banking and API integration allows an asset servicing firm to call multiple payment APIs quickly to complete cash movements in seconds"

FIS Readiness Report shows this playing out across the financial services landscape.

The report found that nearly one third of capital markets firms say their competitive strategy includes making their data more accessible for clients via open APIs, while 36 per cent of finance leaders in corporations say the same. Meanwhile, Forbes found that 72 per cent of the top 50 global banks have invested in the creation of API platforms.

Growing popularity

Initially tagged as a technology instrument to connect systems, APIs have been around for quite some time. However, APIs can now be leveraged as a monetisable asset, thus the 'API as a Product' model emerged.

Sharma says digitalisation in fintech has been given further impetus by the impact of the pandemic. He elaborates: "As the pandemic confined citizens to their homes, we saw a rapid widespread adoption of digital tools for everyday tasks, from online medical consultations to shopping to internet banking. APIs are the real fuel powering this digitalisation."

Further factors contributing to the uptake in the adoption of APIs can be put down to regulation. Robert Stark, global head of market strategy at Kyriba, suggests regulations such as the Payment Services Directive Two (PSD2) in Europe encourage banks to think about APIs, stimulating the development of products and services that could drive new revenue channels for financial institutions.

PSD2 is a European regulation for electronic payment services that aims to increase payments security in Europe and boost innovation while helping banking services adapt to new technologies. Asset Servicing Times finds that PSD2 is evidence of the increasing importance APIs are acquiring in different financial sectors.

Weighing in on the increasing popularity of APIs, Sanjeev Jain, Asia Pacific head of payments and receivables, TTS, Citi, comments: "Indeed, APIs have been around for many decades, but in the past APIs have been relegated to connecting system components to one another (for example, connecting databases to application front-ends)."

APIs are increasingly popular on the back of availability and the connectivity that they offer. According to Jain, this has allowed corporates to build innovative products and services of their own by combining 'building block' API services, including those provided by banks.

Jain explains: "For their end-consumers or target market segments, corporates can offer a customer experience that is much easier and agile, like never before."

Another key catalyst in this growth story is the explosion in instant payments adoption around Asia Pacific.

"In this case, real-time payments based solutions have gelled very well with similar real-time integration technology between corporates and banks. This growth in instant payments has been driven by the increasing demand for instant fulfilment of goods and services among consumers flowing into the corporate payments world," Jain comments.

Meanwhile, Rocky Martinez, chief technical officer, SmartStream RDU, notes: "In my opinion, there are three significant reasons for accelerated API adoption. The first reason is that many back-office and middle-office functions have become commoditised and this is not a competitive advantage."

Experts say competitive advantage has a limited life. Therefore, many of the functions which made firms differentiated have become standard across the industry.

Second, Martinez observes the cost of running enterprise software has become increasingly expensive, which is pushing the maintenance of systems to another trusted party is beneficial.

Third, asset servicing firms accept that they do not need to be owners of every process, just the processes their clients find relevant, according to Martinez.

"Having a security master does not provide added value to an end customer, but having a customer service representative available 24 hours a day facilitating asset movement will drive customers to one provider versus another," he explains.

APIs can provide significant opportunities hence the uptake in its adoption. API integration has opened the industry to real-time information and eliminated the need for batch cycles in the middle of the night.

Before asset servicing firms started to embrace APIs, customers would have to wait to see positions change after a sale or purchase, have delayed values of assets because pricing was done once at the end of the day, and wait for payments, according to Martinez.

Martinez affirms: "Real-time banking and API integration allows an asset servicing firm to call multiple payment APIs quickly to complete cash movements in seconds. Up-to-date third-party books and records, provide updated position movements and call an API for the current price when customers review their portfolios."

Risks to consider

As Peter Parker said "with great power comes great responsibility". So, when systems are open for good citizens, they are implicitly opened for malicious users too. Consequently, experts agree the most risk industry participants see with APIs relates to security. For example, security is a fundamental foundation of Broadridge's systems' design, and API security is taken very seriously, with a stern governance pattern around the security and accessibility of our APIs.

"Another key facet of risk that I foresee is that, in a rush to make systems more open, firms may potentially overlook what their customers are looking for and start making their system 'as is' available as an API," says Sharma.

"The biggest risk to consider is not associated with the APIs themselves, but in not developing a clear data and digital strategy that will support the ongoing funding, development, and maintenance"

Though Shamra cautions: "This is a recipe for disaster; we need to make sure an API is 'consumer-centric' through effective product management and a governance body to ensure that every public or private API goes through security and integrity checks and balances."

Stark suggests: "The entire data journey needs to be assessed for risks and vulnerabilities. This is less to do with API connectors and more to do with securing endpoints and the internal governance of the systems that are being connected."

Standards such as ISO27001, SOC2 reporting, and SIG2 questionnaires encourage software providers to deliver a high level of security or risk being left off a vendor shortlist.

Additionally, there remains a significant amount of legacy technology in banking and financial services. Modernising solutions to include the necessary APIs remains high on the agenda of many chief technology officers, while newer fintechs have been able to disrupt the traditional players because they've started with modern, API-centric technology focused on a digital experience for their clients.

Baldesare concludes: "The biggest risk to consider is not associated with the APIs themselves, but in not developing a clear data and digital strategy that will support the ongoing funding, development, and maintenance of these APIs. Many firms remain challenged due to incomplete strategies or conflicting priorities associated with their digital transformation." ■

A Critical Component

For firms with asset servicing functions, executing their business strategy better, faster, and cost-efficiently has never been more critical. IHS Markit's Madhu Ramu explains more

Maddie Saghir reports

What are the key trends you are seeing in the corporate actions managed services space at the moment?

The pace and complexity of industry change is accelerating — consider the growth in trade volumes, supporting multiple asset classes, trading in new markets, and dealing with more complex events. With mounting competition, investment firms are focusing on reducing the fixed costs of their business to stay competitive and build the ability to scale quicker and more nimbly than ever before.

This competitive environment has forced banks and asset managers to re-examine their core competencies. They are focusing on the modernisation of asset servicing operations to gain a competitive advantage on top-line growth, access to operations and technology skills that are short in supply, and access to a scalable technology platform without the associated costs of maintaining it.

Managed services are an immensely viable option. This is not a new trend and has existed for over two decades. It is relatively common to see large banks and asset managers outsource at least a part of their asset servicing functions. North America, the UK, and Europe have dominated the outsourcing market globally as these regions have the highest concentration of banks and asset management firms.

Due to the current market conditions and increased competition in financial services, banks and asset management firms are taking a closer look further up the value chain, outsourcing asset servicing operations which are generally costly and error-prone. In the past, firms have been reluctant to embrace outsourcing operations primarily due to a perceived lack of control in a critical area. However, advances in technology like application programming interfaces (APIs), real-time data delivery, advanced analytics, and reporting functionalities for risk management help mitigate most of these concerns. For instance, IHS Markit's corporate actions products include robust quality controls every step of the way, followed by four-eye checks from experienced subject matter experts. The system also provides a complete audit trail with a view of every step in every process.

One of the other trends in outsourcing is to have a fully integrated platform with cloud compatibility. Customers like that managed services have optimum servicing platforms consisting of proprietary applications and best-in-class vendor products. For example, IHS Markit partners with the top-of-the-line solutions for cloud, analytics, and reporting functions. We integrate them seamlessly with our proprietary applications to provide a superior experience to our customers.

Previously, the tendency was to look at managed services with a singular objective of cost reduction. But now, the focus has shifted to qualitative factors that drive benefits. Scaling to a global operating model, access to robust technology, managing risk, and navigating regulatory challenges are compelling reasons that need to be part of the discussion. Building these solutions in-house generally requires significant investments as they involve executing large-scale integration programmes. This also requires a willingness to take on additional operational risks, hire experienced staff to achieve the transformation, and build specialised functional and technical skills to realise the benefits of the new solutions.

How can managed services be leveraged to transform corporate actions operations?

Typically, straight-through processing and automation in asset servicing operations is a massive challenge due to disparate systems, multiple interfaces from brokers, custodians, and other third-party systems. Information from data vendors, depositories, agents, and custodians is not always timely, complete, or accurate. Complying with several market nuances and requirements from downstream clients leads to additional data scrubbing, sourcing, and reviewing related documentation and information. A significant amount of manual intervention is necessary for these processes that require specialised expertise and complex technical solutions.

"This competitive environment has forced banks and asset managers to re-examine their core competencies to focus on the modernisation of asset servicing operations to gain a competitive advantage"

Even today, most asset servicing operations are regarded as cost centres. However, for an experienced managed services solution like IHS Markit's managed data and agent validation services, our core businesses are onboarding, data sourcing, validation, agent reconciliation, client services, and reporting. We continuously invest in improving efficiencies, reducing operational risks, and redefining best practices. Our primary objective is to help firms reduce risk, optimise, and implement processes more efficiently. Our solutions encompass several asset management activities like data management, corporate action data validation, reference data, data reconciliation, performance monitoring, and data analytics. Customers get access to a robust and scalable technology platform without the associated costs of maintaining it in-house. They also get access to a global operating model and the requisite skills to navigate the complexity of corporate actions across multiple asset classes and markets worldwide.

As firms look for ways to streamline asset servicing operations, and reduce costs and risk, managed services can free up critical human capital. This lets the customer achieve essential objectives like business growth, market expansion, portfolio management, expanding product offerings, and adding new product and service capabilities across all of their businesses. In our case, the managed services solution discussion essentially starts with a business process mapping exercise to understand the customer's current operating model and specific challenges. We then work with the customer to arrive at a customised target operating model that brings the most value to their business. We then ring-fence all the operations tasks and related functions, develop a detailed implementation plan, and co-manage the strategy with the customer to lift out the operational components part of the managed services arrangement.

There is generally no movement of staff or systems to reduce the time to execute these massive transformational projects. For instance, our deep expertise in this space allowed us to implement one such solution last year with a large asset manager in the US at the peak of the COVID-19 pandemic. The customer realised the benefits of the cost reduction and increased efficiencies throughout various stages of the 12-month implementation timeline.

What are the main opportunities managed services can provide?

If I look at some of our customers who have already outsourced their asset servicing operations to us, they have immensely benefited. For instance, our recent implementations with a couple of large buy-side customers have led to a significant reduction in manual tasks, decreased operational risk, provided their teams an opportunity to focus on complex issues and strategic projects, improved efficiency by making hundreds of legacy processes, reports and checks redundant, and shifted their focus toward new opportunities to grow the business and automate the remaining downstream functions.

An experienced managed services provider can offer a global footprint at a fraction of the cost of an in-house model. This would mean that the customers have 24/7 access to superior expertise due to regional teams who understand the market and speak the local language. This provides customers access to the requisite skills to navigate the complexity of corporate actions, enter new markets, support new asset classes, and expand geographically without the need for investments in human capital and technology across the world. If you look at the last couple of years during the pandemic, it has truly tested the ability to operate in a business-critical situation. A global operating model combined with a deep bench of subject matter experts allowed IHS Markit to deliver business-as-usual seamlessly.

A critical aspect of managed services is the supplementary benefit of a professional user community. Operational risks are significantly reduced as processes and enhancements go through a critical review by clients with similar needs. This leads to delivering the most suitable and well-thought-out solution agreed by the user group.

Finding and retaining proper operations and technology skills is another industry-wide business challenge. However, managed services providers make substantial investments to attract and retain this talent as it is part of their profit centre. We have highly skilled professionals across multiple geographies, some with more than 30 years of experience in corporate actions processing. This is exceptionally critical for us to provide a high-quality service while allowing for opportunities to scale.

Managed service providers typically offer an efficient, controlled operating environment that helps mitigate operational, regulatory, and financial risk from a technology aspect. They push for investments in software development, automation, reporting, cloud, and the use of emerging technologies.

Our customers can leverage these capabilities with continuous upgrades in technology while reducing their internal infrastructure and system maintenance costs. Additionally, our customers get the flexibility to choose from hosted, cloud-delivered or platform-as-a-service options.

Another benefit is that managed services contracts are usually a variable cost model. Our pricing models, based on factors like asset classes in scope, ‘securities of interest’, and the number of agents, provide agility. This makes scaling easier as the business expands with customisable capacity and customised packages to fit business needs. This also provides a single point of contact across multiple service providers.

What are the biggest challenges firms face when it comes to corporate actions as we move toward 2022? What challenges or opportunities do you think the new year will bring?

The long-term impacts on the day-to-day operations due to the pandemic and the new operating model companies are adopting remain to be seen. The inherent uncertainty in some markets and the work-from-home requirements caused by the pandemic have highlighted how some banks and asset managers may not have the scale and infrastructure to keep their businesses functioning effectively and manage operational risks. A recent ValueExchange survey revealed that 31 per cent of corporate action costs are consumed by the need to clean, augment and interpret event data. In short, one-third of corporate action costs are driven by a lack of confidence and completeness in the information we receive. Manual sourcing and re-keying dominate the asset servicing space at every step of the chain, resulting in increased costs and risk — they are also an enormous reconciliation burden.

Across the investment cycle, the average bank receives 43 per cent of its corporate action data via entirely manual mechanisms. Only 50 per cent of banks are then publishing that data in standardised formats to any reasonable level of automation.

Due to escalating market conditions, increased regulation, transparency demands, and time sensitivities, oversight tools and demand for data have increased. The ability to get more accurate and timely data is ultimately going to drive investment. This role is critical given that the disruption stemming from the COVID-19 pandemic has resulted in more data that needs to be consumed. We continue to see increased market activity, a spike in corporate actions volumes, the added complexity in certain asset classes like special purpose acquisition companies, funds, derivatives, and securitised products. The recent bankruptcy-like proceedings filed by Puerto Rico to address its approximate US$120 billion of public debt and pension impacted over 1,200 securities, translating into upwards of 2,500 plus options. Events such as these can put a lot of stress on an already fragile operating model escalating risks significantly.

Strategies for reducing costs, while maintaining best-in-class asset servicing operations, are critical to achieving minimal disruption in the current environment. The market uncertainty is driving firms to look for a means of controlling costs, creating scale, and geographical expansion along with an efficient process for getting access to accurate and timely data. This has motivated firms to look at managed services for asset servicing operations to improve processes and reduce reliance on internal teams with attrition risks, critical person dependency, and higher costs. In addition, technology cost savings are also a key driver.

Advanced technologies like machine learning and robotic process automation are other trends critical to systematise and automate asset servicing operations instead of allocating hours of manual work to complex and time-consuming tasks.

How do you see the corporate actions managed services space evolving over the next two to three years?

The corporate actions industry has been relatively slow to evolve. However, the managed services space is maturing in capability and acceptance. There are significant financial and reputational risks associated with poor data management. Banks and asset managers have realised the vast value extracted from richer and timelier data to improve asset servicing, provide vital insights and improve client satisfaction.

"Managed service providers typically offer an efficient, controlled operating environment that helps mitigate operational, regulatory, and financial risk from a technology aspect"

So, anything data-related that enables data-driven decision-making, provides business insights, and connects data across multiple processes are prime candidates for managed services, and that space is growing significantly. Particularly in the asset servicing world, this involves processes relating to corporate actions and reference data. We see the trend continuing towards a transition to a complete end-to-end managed services solution. This includes data and document sourcing, validation, golden record creation, comprehensive aggregation and reconciliation against the client's agents to the extent it is ultimately fit for straight-through processing.

The ability to streamline asset servicing processes and differentiate against the competition has never been more critical. By using managed services, customers can benefit from geographical presence, unlimited resources to skilled operational expertise, and use the saved-up human capital in an oversight capacity to maintain data integrity, create efficiencies, enhance capabilities, and control costs. And by utilising the managed services technology, they can have a lightweight framework too.

In the past, customers had fewer choices when it came to outsourcing operational tasks. However, solutions like IHS Markit's managed data and agent validation services include a range of options to match the customer's specific operating model. It is customised to achieve their aspirations and provide solutions for their ever-changing strategies, making it one of the most viable solutions. ■

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 assetservicingtimes 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

The Financial Stability Board (FSB) has appointed Bank of England governor Andrew Bailey as chair of its Standing Committee on Supervisory and Regulatory Cooperation (SRC).

He replaces Himino Ryozo, former commissioner of the Japan Financial Services Agency. The SRC addresses key risks to financial stability by developing supervisory and regulatory policies and encouraging cooperation between financial supervisors to ensure that international and cross-sector challenges are addressed effectively in FSB activities.

Fahad Almubarak, governor of the Saudi central bank, will take over as chair of the FSB Standing Committee on Standards Implementation (SCSI), replacing outgoing chair Lesetja Kganyago, governor of the South African Reserve Bank.

The SCSI encourages worldwide adherence to international financial standards, and conducts peer reviews of member activities and reports on members' progress in adopting these standards and other FSB and G20 obligations.

Jelena McWilliams, chair of the Federal Deposit Insurance Corporation (FDIC), has been appointed as chair of the FSB Resolution Steering Group (ReSG), effective from 1 November 2021. The ReSG coordinates the FSB's activities on resolution regimes, resolution planning and resolvability assessments across all sectors of its business.

The ReSG was established in 2010 by G20 leaders to deliver tools and frameworks to help mitigate the disruption caused by the failure of financial institutions and to reduce moral hazard in the future.

EML Payments has appointed David Curneen to the newly-created role of group chief operating officer, with responsibility for the financial and operational performance of its business units.

In his new role, Curneen will take on responsibility for the management of EML's technology function and for driving and implementing its strategic plan, Project Accelerator.

Curneen brings 20 years of experience in senior leadership, executive and board positions in the financial services, fintech and blockchain sectors internationally.

Most recently, he was Digicel Financial Services' group CEO for 32 Caribbean, Central American and South Pacific markets. Prior to that, he was the CEO of Virgin Money Australia before its sale to the Bank of Queensland.

"It is exciting to join a geographically and culturally spread business. I aim to be successful as part of EML's fast and smart team, and oversee revenue growth and value creation across the group and acquisitions," comments Curneen.

Tom Cregan, managing director and group CEO at EML, says: "David Curneen has considerable experience in managing regulated financial services businesses and is people-, action-, and growth-oriented, which is the right mix in the correct order as we continue to grow rapidly. I want to officially welcome him to the EML family." ■

The Bailey and Almubarak appointments are effective immediately.

Each appointment is for a two-year period, which may be renewed once. All three outgoing chairs had come to the end of their permitted terms.

deltaconX AG has appointed Paul Rennison as director of product management at its London office, where he will report to managing director Thomas Buk.

Rennison brings to deltaconX over 20 years' experience of developing and growing businesses in the financial, energy and regulatory spaces.

He was previously at FIS for five years as a strategic account director, where he was responsible for managing the commercial relationship with energy and commodity trading companies in Europe.

Prior to this, Rennison spent four years with Trayport as a consultant and head of business development, where he was responsible for developing and bringing to market Trayport's regulatory and compliance product suite, Trayport Complete.

Earlier in his career, Rennison held consultancy roles with several firms including Thomson Reuters, SEC Compliance and Precise Media.

Speaking on the announcement, Rennison says: "I am delighted to join deltaconX, I first met Thomas and Dominik back in 2014 when I was with Trayport. I have always been impressed by their focus on providing solutions and services that support an organisation to navigate and comply with the myriad of reporting regulations. I am looking forward to continuing this work and expanding our coverage to meet the ever-changing global set of regulatory requirements."

MarketAxess Holdings has appointed Kathryn Sweeney as head of index and exchange-traded fund (ETF) solutions, reporting to president and chief operating officer Chris Concannon.

In her new role at the electronic fixed-income securities trading platform operator, Sweeney will be responsible for the development and execution of MarketAxess' entire index and ETF business strategy. In addition, Sweeney will collaborate with industry partners to leverage the firm's proprietary market data and trading insights to design a suite of indices and portfolio construction solutions.

Sweeney previously served as senior managing director and head of the institutional client group for North America at State Street Global Advisors, where she was responsible for executing the institutional distribution strategy in the region.

Before this she held various positions at Goldman Sachs across the execution, risk management, product development and distribution of the firm's ETF market making business.

Commenting on the appointment, Concannon says: "Kathryn is a known and visible leader in the world of ETFs and portfolio and index construction. She brings deep experience in trade execution, distribution and product development that will help advance our strategic vision for creating a more efficient and transparent marketplace." ■

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