asset servicing times
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ISSUE 278 10 November 2021

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Charles River Development appoints Caroline O'Shaughnessy

COP26 springboards industry ESG initiatives into action

The non-profit accounting organisation International Financial Reporting Standards Foundation (IFRS) is to establish an International Sustainability Standards Board (ISSB) to develop comprehensive global baseline sustainability reporting standards under robust governance and public oversight.

The announcement, made at the 2021 United Nations Climate Change Conference (more commonly known as COP26), will see the consolidation of two sustainability reporting organisations, the Value Reporting Foundation and the Climate Disclosure Standards Board, to create a global standard-setter for sustainability disclosures for the capital markets.

The IFRS has also published two prototype standards to enable the ISSB to rapidly build on existing frameworks, including the Task Force on Climate-Related Financial Disclosures (TCFD), when developing its standards.

Standards will be subject to a full public consultation and can be considered for adoption by jurisdictions on a voluntary basis. Jurisdictions will have their own legal frameworks for adopting, applying or otherwise making use of international standards.

Finance ministers and central bank governors from 36 jurisdictions joined the UK in publicly welcoming the announcement of the establishment of the ISSB and its work programme to develop a set of internationally consistent and reliable baseline standards for disclosure of sustainability-related information on enterprise value creation.

The list of jurisdictions involved includes Australia, Brazil, Canada, Chile, China, Egypt, Ethiopia, European Commission, Fiji, France, Germany, Greece, Guatemala, India, Indonesia, Italy, Jamaica, Japan, Kenya, Korea, Luxembourg, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Philippines, Saudi Arabia, Seychelles, Singapore, Spain, Switzerland, Tonga, Turkey, UK, Uruguay and the US.

Commenting on the IFRS announcement on the ISSB, Chris Cummings, CEO of the Investment Association, says: "Investment managers need high quality and comparable data on the risks that companies face from climate change, and these measures will be pivotal for investors and companies to work together to achieve the Paris Agreement targets."

He adds: "This is why we also welcome the UK chancellor's announcement that UK-listed companies will be required to produce transition plans by 2023 as part of the UK becoming the first net-zero financial centre."

"Investors want to understand the steps which companies are taking now to transition their businesses to net-zero, so these new disclosure requirements will give investors more visibility on the immediate actions their investee companies are taking."

Contents


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Austria's CMTA chooses deltaconX for regulatory compliance

CMTA has chosen deltaconX to fulfil its Markets in Financial Instruments Regulation (MiFIR) obligations under Article 26 from 2022.

Article 26 of MiFIR outlines that investment firms that execute transactions in financial instruments shall report complete and accurate details of such transactions to the competent authority as quickly as possible, and no later than the close of the following working day.

deltaconX will also provide MiFIR transaction reporting services to its clients.

deltaconX is a full-service provider offering software and support packages catering for global financial, energy and commodity trading, as well as non-financial organisations, enabling them to meet their various regulatory reporting obligations.

CMTA is an Austrian-based financial service company offering regulatory technology services in the European primary and secondary debt markets.

CMTA provides reporting services for its clients, which consist of banks, insurance companies, pension funds and investment companies not possessing their own reporting department, willing to outsource this task to CMTA.

Martin Strohmaier, chief compliance officer at CMTA, says: "With deltaconX we have found a very comprehensive solution but also a very flexible, knowledgeable and result-oriented partner with whom we would like to extend our partnership over the coming months and years. The onboarding at deltaconX has been very streamlined and took us not even two weeks from starting the contractual discussions to go-live on production."

Thomas Buk, CEO at deltaconX, comments: "We are delighted that CMTA has chosen deltaconX to support them with their own reporting requirements and to offer an added-value service to their clients. This partnership will help us support market participants of all sizes fulfilling their reporting obligations in an efficient way and to continue growing our community." ■

Intertrust launches new ESG data tool

Intertrust has launched an end-to-end environmental, social and corporate governance (ESG) data gathering and analytics solution to offer private fund managers an integrated approach to collecting and analysing ESG data and managing ESG risk in their portfolios.

The solution allows for the outsourcing of back-office activities like data gathering and analytics, and will evolve in line with regulatory and market demands.

The new solution supports local currencies and metrics, ESG data management for illiquid assets, and ongoing updates to local carbon emissions factors.

It also offers data validation features, removing potential formatting issues and ensuring clients can trust the insights and reporting produced by the solution.

With ESG regulation continuing to increase at pace, including the ongoing Sustainable Finance Disclosure Regulation (SFDR) requirements across the European Union, pressure is mounting for general partners, says the corporate management company.

As private funds await the next iteration of SFDR in 2022 and sustainable investments continue to soar, there is an urgent need for general partners to ensure they are ESG-ready and not seen to be taking part in superficial "greenwashing" activities, Intertrust adds.

Intertrust says it is dedicated to leading by responsible business practices and aligning its strategy and operations with the United

LiquidShare integrates with Vermeg's Megara platform for crypto assets

Vermeg has integrated its Megara platform with LiquidShare to allow the settlement of crypto assets using blockchain technology, making the latter one of the first blockchain platforms offering connectivity to a custody platform. As a provider of banking, insurance and digital solutions, Vermeg's Megara platform is designed to secure and simplify back-office operations in financial markets by narrowing the gap between issuers and investors, and streamlining the management of their capital and positions.

The partnership follows increased institutional and client demand within the regulated securities custody industry to extend traditional asset custody and servicing capabilities into the crypto asset class.

LiquidShare's blockchain settlement platform will have an application-to-application connection with Megara that allows custodians using Megara to provide custody services for assets issued in LiquidShare.

Boujemaa Khaldi, product director at Vermeg, comments: "By connecting both solutions, we offer our clients faster time-to-market capability to extend their services and increase their business."

"LiquidShare is an important player in blockchain custody, and this partnership will accelerate the adoption by custodians of one single solution to support custody of all types of assets."

Jean-Marc Eyssautier, CEO of LiquidShare, adds: "The integration of Megara with our platform is an important step in the adoption of LiquidShare as the main provider of blockchain solutions for issuing and settling crypto assets." ■

Nations Global Compact's Ten Principles on human rights, labour, environment, and anti-corruption.

In 2020 Intertrust Group pledged ongoing commitment to the following five UN's Sustainable Development Goals: quality education, gender equality, decent work and economic growth, reduced inequalities, and climate action.

Chitra Baskar, COO and global head of funds and product at Intertrust, says: "As more and more investors look to enter sustainable investing and governments continue to roll out new ESG regulations, the ability to effortlessly track, analyse, and learn from ESG data is paramount for investors and managers."

She adds: "Our step-by-step solution provides private fund managers with the ESG insights they need to best manage their portfolios, via a single, intuitive platform alongside access to related tools and expertise."

BNY Mellon selects Pelican AI for sanction screening tools

BNY Mellon has selected Pelican AI's Secure Sanctions Self-Learning Optimisation (SSLO) solution to improve efficiency in the global sanction screening capabilities of its treasury services business.

As a provider of artificial intelligence (AI)-powered payments and financial crime compliance solutions, Pelican AI successfully completed a proof of concept to demonstrate that its AI-based solution will reduce false positives that require time-consuming operations investigations with a high success rate.

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The Pelican Secure SSLO solution will utilise third-party screening tools and AI technologies (such as machine learning and natural language processing) to analyse transactions already flagged by the global bank's existing sanction screening tools.

This is particularly important as financial institutions face increasing penalties and reputational risk in cases of non-compliance with sanctions screening, while simultaneously under pressure to enhance processing speed and efficiency.

Matthew Wells, head of global markets, issuer services and treasury services operations at BNY Mellon, comments: "This is an important project within BNY Mellon Treasury Services' compliance operation that is leveraging AI to improve operational efficiencies without compromising regulatory needs and simultaneously safely removing friction from the payments landscape for our clients."

He continues: "This solution provides full control in this critically important part of the payments value chain. We believe that this is the start of a long-term relationship with Pelican and look forward to working closely to optimise our operations in the area of sanctions screening and payments."

Parth Desai, founder and CEO of Pelican AI, adds: "Pelican SSLO is designed to integrate with and complement existing sanctions screening tools, and dramatically reduce the time taken to process false positives from existing compliance systems."

"We are confident that BNY Mellon will find that our technologies far exceed expectations as we embark on a long-term relationship together to build operational excellence in the areas of compliance and payments."

AIMA: talent management in the hedge fund industry

90 per cent of hedge funds are 'somewhat' or 'very' concerned about talent retention in the near-term, according to new research published by the Alternative Investment Management Association (AIMA).

In the survey, 'Gaining an edge: how hedge funds are navigating the new talent landscape', AIMA explores how hedge funds are currently sourcing and retaining talent in the context of the COVID-19 pandemic and the dubbed 'Great Resignation'.

Using industry data from a market survey of 100 hedge funds collectively managing more than US$520 billion, AIMA found that concerns over talent retention are particularly rife in the areas of technology, operations and quantitative analytics.

The survey notes that the hedge fund industry now requires a high level of competency in technology across the majority of roles, from front-office investment strategy to middle and back-office operations functions, as was recently discussed by AIMA and other industry professionals with Asset Servicing Times.

In addition, ESG specialists are expected to become one of the most in-demand hires over the next five to 10 years as regulatory pressures increase.

62 per cent of surveyed hedge funds say they do not have a dedicated ESG specialist in their personnel — however, many also say they are planning to add expertise in this area in the next 12 months.

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In terms of talent sourcing, almost 90 per cent of hedge fund survey respondents determined diversity, equity and inclusion to be an 'important' or 'very important' theme within the industry.

Looking at talent management and retention, the majority of participants say they are promoting a healthy work-life balance and placing a high value on non-financial benefits, for example, flexible working models.

Furthermore, the majority of hedge funds say they believe that hybrid working will become a permanent working model, although this presents challenges in assimilating new hires into company culture and training junior staff.

AIMA also notes regional differences in talent management. For example, Asia Pacific hedge funds are seeing talent migration around its traditional financial hubs, while North America is experiencing a growth in the provision of non-financial benefits to ensure talent retention.

Jack Inglis, CEO of AIMA, says: "With the eyes of the world currently on our financial and political leaders as they

TNS expands market data offering to all major European exchanges

Transaction Network Services (TNS) has expanded its market data offering for all major European equities exchanges, including Wiener Börse AG, which operates the stock exchanges in Vienna and Prague. The data offering is also available to low latency TNS Layer 1 in-data centre platforms connected to TNS' points-of-presence (PoPs) across Europe. TNS is also working with Deutsche Börse to provide access to Eurex and Xetra market data for non-member organisations at its data centre in Frankfurt.

Eurex is a derivatives exchange for futures and options, while Xetra is the exchange for German institutional organisations and also an exchange-traded funds venue for Europe.

These additions complement TNS' existing European equities data portfolio, which includes Cboe Europe, Euronext, Aquis, the London Stock Exchange and SIX Swiss, among others.

TNS offers a range of connectivity, colocation, cloud, market data and virtual private network solutions within its infrastructure-as-a-service portfolio.

Traders using TNS' managed hosting solution gain uninterrupted access to more than 100 exchanges with local, physical support around the globe. Additionally, real-time monitoring is provided by TNS' network operation centres in the UK, US and Australia.

Alastair Watson, managing director of TNS' Europe, Middle East and Africa financial markets business, says: "Access to streaming market data globally is critical to the operations of financial firms. Coupled with our proven, reliable, low latency technology, we can deliver data in an efficient and cost-effective manner." ■

discuss how best to move to a more environmentally sustainable footing, this report demonstrates how hedge funds are also playing their part by investing in their ESG capabilities."

"The increasing demand for responsible investment specialists across the alternative investment industry is a key finding of this paper and a theme that we expect to remain prominent for the foreseeable future."

Tom Kehoe, managing director and global head of research and communications at AIMA, adds: "The topic of talent management has always been top-of-mind for hedge funds but never more so than in recent months in the context of the COVID-19 pandemic."

"This report provides timely insights as to how the hedge fund industry is fostering its key asset — its people, illustrating the opportunities that exist for hedge funds seeking to gain an edge in how they recruit and retain talent."

Emerald Technology Ventures adopts Broadridge's blockchain-based private equity solution

Broadridge has announced that Emerald Technology Ventures will utilise its Private Market Hub ecosystem to gain visibility and reduce transaction friction to interact in real-time on all Guernsey-domiciled funds. The blockchain technology provides access to data and a view of the fund lifecycle, according to Broadridge. It provides connectivity to existing industry tools and technologies to help automate workflows between front, middle and back-office functions.

Additionally, the solution enables investment managers to manage, communicate and engage with investors and other stakeholders with efficiency and data transparency, streamlined through a distributed ledger technology.

Northern Trust has migrated four Emerald Technology Ventures funds to the Broadridge Private Market Hub, providing a single, transparent view into all funds and allowing for interaction in real-time.


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Emerald Technology Ventures funds can call and distribute funds directly through Private Market Hub and process the fund lifecycle through an automated workflow solution.

Commenting on the announcement, Hans Dellenbach, partner and chief financial officer at Emerald Technology Ventures, says: "We are pleased to have worked with Northern Trust and Broadridge on the development of Private Market Hub, using blockchain technology to deliver a full private equity ecosystem."

"Through the use of the Private Market Hub, we now can directly interact in real-time and have a full, 360-degree view of all of our Guernsey-domiciled funds, giving us better oversight and flexibility moving forward."

Bahamas-based Marlin Capital Partners picks Apex

Marlin Capital Partners has selected Apex Group to provide fund administration and accounting services.

Marlin Capital Partners, headquartered in Nassau, The Bahamas, is licensed and regulated by the Securities Commission of The Bahamas to offer advisory services and manage assets.

Apex Group, alongside its subsidiary Throgmorton, will provide Marlin with outsourced management company, middle-office and fund administration services.

This appointment comes ahead of the launch of Marlin's Dauntless Fund, which will focus on arbitrage opportunities within the digital asset space.

Jason Meklinsky, head of business development, Americas at Apex Group, comments: "Robust middle- and back-office functions are paramount to the smooth running of a fund and to meeting the highest investor reporting expectations. As regulatory compliance requirements continue to evolve, operational efficiency and economies of scale are vital. We look forward to working with Marlin on their pioneering new fund, allowing the team to focus on performance and growth, while our dedicated and experienced experts support their operational needs."

Richard Heathcote and Zachary Lyons, partners at Marlin Capital Partners, say: "We are pleased to appoint Apex to provide their integrated outsourced solution. They have demonstrated the ability to meet our service requirements seamlessly across time zones and we have been particularly impressed by the flexibility and responsiveness of their client service model and exceptional expertise of the team."

Standard Chartered launches Sustainable Account

Standard Chartered has announced the launch of its Sustainable Account, a solution that enables its corporate clients to contribute to sustainable development while maintaining daily access to their cash.

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BetaShares picks Citi Australia

Australian fund manager BetaShares has chosen Citi Australia to provide its custody and fund administration services.

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CryptoCompare receives benchmark administrator authorisation from FCA

Digital asset market data and index provider CryptoCompare has received authorisation from the Financial Conduct Authority to operate as a benchmark administrator.

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DTCC set to launch new securities platform DSM in 2022

The Depository Trust & Clearing Corporation is to launch the Digital Securities Management platform to streamline the issuance, transfer and servicing of private market securities.

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big xyt partners with ETFbook for fund administration

ETFbook, a exchange-traded fund information and analytics platform has chosen big xyt, the independent provider of smart data and analytics solutions to provide daily fund data for its Liquidity Cockpit ETFs platform.

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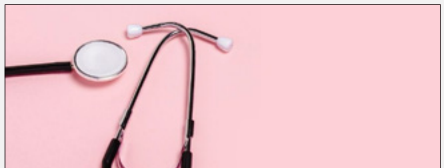

Revelstoke Capital picks Apex for fund administration

Revelstoke Capital, a private equity firm for companies in healthcare and the health and wellness sectors, has choosen Apex Group to provide its fund administration services.

Read the full article online

In the peak mid-winter

Industry experts discuss how COVID-19 has changed the role of the custodian over the last year, and why this coming winter could prove to be their most trying season yet

Jenna Lomax reports

What a difference a year makes. Last November, the AstraZeneca jab was near to distribution, and across the Atlantic, medical industry giants Pfizer and Moderna were putting their potential COVID-19 vaccines through regulatory hurdles. Many of us were still working remotely and were yet to know the outcome of the 2020 US presidential election.

As another year approaches its close, what can we expect to be the leading opportunities and concerns for the wider financial market and global custodians in early 2022? It is highly likely that, initially, the custodian's calendar will be filled with plans and meetings to prepare for the Central Securities Depositories Regulation (CSDR) mandatory buy-in regime, which is currently scheduled for 1 February.

In addition to battling through this regulatory mist, the take up of digital developments, such as application programming interfaces (APIs), artificial intelligence and machine learning technologies, will likely be accelerated — encouraged by the necessity of hybrid working, which for many custodians will very likely still be the day-to-day reality across the winter months.

This new reality, spanning from the first lockdown until present day, has highlighted the need to increase automation and efficiency, from pre-trade all the way through to post-trade and settlement. While this is great news for the industry fintech startups and established industry service partners custodians may outsource to, the custodian still faces a pressure to keep up with the speed of this change — and its costs.

"The COVID-19 pandemic has pressured custodians, like other financial services institutions, to accelerate their digitalisation and modernisation agendas," says Samir Pandiri, president of Broadridge. "The pandemic was the final catalyst for many firms to look at their options afresh and begin leveraging process efficiency, reducing operational risks, and improving resilience."

Another constant through 2021 has been the increasing use of cryptocurrencies and digital assets, which went from being the extra at the back of the stage to supporting actor, alongside traditional assets as the recurring lead.

By its rapidly-evolving nature, this particular development will on the one hand increase market collaboration and standardisation, but on the other hand, may cause more fragmentation for custodians as clients look to invest in traditional assets alongside evolving digital ones.

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And that's only one part of the complicated equation. As Broadridge's Pandiri warns: "The challenges facing custodian banks are extensive and deep-rooted." This will be a trend that will keep evolving, with the future of assets becoming increasingly digital-led. There could come a time in the very near future when there may be no clear distinction between traditional finance and crypto in fact, because outdated and slow banking processes will improve by incorporating advanced technologies.

Among those bringing cryptocurrencies and digital assets to the fore this year has been Euroclear, who just last month finished its trials for settling French treasury bonds on a test blockchain, while LiquidShare and Banque de France utilised central bank digital currency for interbank settlement purposes back in early July 2021. More recently, U.S. Bank launched its cryptocurrency custody services which will be available to its global fund services clients.

"The proliferation of digital assets — many of which are non-fungible tokens — will continue to dominate industry discussion along with what role custodians should play when it comes to these digital securities," says Matt Johnson, director, digital platform management and industry relations at DTCC.

Although a lot has happened in that space this year, that adjustment and move to change takes time, says Justin Chapman, global head of market advocacy and innovation research at Northern Trust.

"Even some of the most disruptive innovations are the result of years, if not decades, of development," he says. "The new developments we have seen over the last year are the product of existing trends toward the digitalisation of the industry's infrastructure and we are just beginning to see the maturation of these exciting innovations."

Though having the technology ready and available is one thing, having the resources, people power and capital available to adopt that technology is another.

A trying season

Under-investment in post-trade has caused a lack of industry visibility into custodian expenses, a Meritsoft survey found in September. The report, entitled "A New Era for Trade Expense Management", found global investment banks are spending vast sums each year on their brokerage fees and billing operations — while data challenges, lack of automation and legacy technology are making it difficult for investment banks to fully understand and therefore optimise their spend across the organisation.

"With bank operations becoming increasingly complex through globalisation, consolidation and new asset class activity, this problem is in danger of spiralling out of control", said Daniel Carpenter, commercial lead and head of regulation at Meritsoft at the time.

He added: "Our findings provide a compelling business case for board members to invest in solutions that shine a light on this costly and opaque area of the trade lifecycle."

For custodians, in their role as service providers, it is imperative to gauge a thorough understanding of their clients' business, as well as their capabilities and objectives, coupled with the leveraging of the latest technology in an effort to reduce fails.

At the Association for Financial Markets in Europe's (AFME's) recent Post-Trade Conference, Johnson said: "It has very much to do with behaviour and how committed firms are to change things for the better. There are still around 10 per cent of financial institutions still using manual operations."

One answer to leveraging the latest technologies could be an increase in outsourcing of more trading services. This way, custodians can have access to their desired technology platform without the associated costs of maintaining it in-house.

"Outsourcing is increasingly seen as a preferred way to deliver more flexible pricing models, and to achieve optimal business structures,'' says Pandiri.

"The pandemic has been the catalyst of unprecedented changes to the financial landscape, and outsourcing allows banks to enhance business resilience and future-proof their operations," he affirms.

Stormy weathers

Since the emergence of the COVID-19 pandemic, active promotion of sustainable development has become a central part of the financial market's consciousness, which has been supported by regulators and national governments alike. The 2021 United Nations Climate Change Conference (or COP26) is coming to and end and will likely activate further progress in this space.

In the investment space, environmental, social, and governance (ESG)-related initiatives have become more than just a passing trend in driving asset growth. ESG asset classes are here to stay as the need to preserve a livable climate comes more apparent.

By changing our habits, we can tackle the climate emergency and build a sustainable world, says the UN. To this end, new ESG asset types have emerged in the market, such as green bonds, social bonds, ESG index derivatives, ESG-focused funds and exchange-traded funds, to name just a few.

However, constantly keeping up with these contemporary asset classes, as well as the trend to keep up with technological innovation and the changing nature of digital assets, all the while battling regulation hurdles, is a lot for any custodian to digest.

As Northern Trust's Chapman says: "Balancing the sheer variety of new digital developments and emerging asset classes with our continued investment in current product capabilities, while offering significant opportunity for the industry, has the potential to create operational fragmentation, resulting in the necessity to navigate and manage multiple ecosystems simultaneously."

"From this we see a need for greater industry collaboration and standardisation," adds Chapman. "It is particularly pronounced in global regulatory structures where diverse approaches to digital assets and cryptocurrencies create potential for 'regulatory arbitrage'."

Spring forward

Suffice to say, the CSDR Settlement Discipline Regime (SDR)'s mandatory buy-in ruling is the first major regulatory hurdle facing custodians as we bring in the new year. The ruling is set to be implemented on 1 February, though the European Commission has hinted it will be releasing its review on this in January 2022.

"Custodians' responsibilities and scope of work related to trade processing will significantly increase under CSDR's SDR," warns DTCC's Johnson.

"Asset servicers must remember that — even as innovation brings new challenges and opportunities — their primary responsibilities are asset safety and client service"

"There are many buy-side clients who will likely rely heavily on their custodian network to understand not only the status of their trades as well as how many trade fails there are. Some may also need custodian support for the reporting and reconciliation of financial penalties. All of these additional custodian responsibilities will create pressure on their resources and bandwidth."

He adds: "At the same time, competitive pressures across the custodian segment have increased as a result of SDR-related services, as more custodians begin to offer superior or premium services to help their buy-side clients comply with SDR."

As well as CSDR, the move to T+1 from T+2 remains a short-term hurdle, but expectantly a long-term solution where global trading is concerned; this is also a move that will further "necessitate changes in [custodial] process and operations", says DTCC's Johnson.

Having the agility to change may again ring true here as the weapon to survive. Though, as Northern Trust's Chapman affirms: "Despite all this change, asset servicers must remember that — even as innovation brings new challenges and opportunities — their primary responsibilities are asset safety and client service."

Shaken, but not deterred

It is no surprise that the COVID-19 pandemic dealt Italy and its economy a hard blow in the first half of 2020. Industry experts explain why 2021 has been a different story and outline what the future holds for the country's asset servicing

Jenna Lomax reports

When we look back to Italy, March 2020, it is perhaps the amateur videos and pictures of natives singing in unison resolutely from their balconies in the very early days of the pandemic that will rest most fervently in our minds, when all seemed uncertain. For it was Italy that bore the brunt of COVID-19 first and the most severely, from a European perspective.

The country's then Prime Minister, Giuseppe Conte, was one of the first European leaders to initiate a national quarantine, putting the country on a hiatus as early as 9 March 2020.

The following week a video, released by the Italian Air Force, exhibited a coordinated flypast and a plume displaying the country's flag colours. Soundtracked by Pavarotti's *Nessun Dorma*, the display, though originally filmed in 2019, was widely reposted on social media to lift the national spirit, but that spirit was violently shaken as Italy's economy plummeted in the immediate months following.

In July 2020 Italy's economy had shrunk by 5.4 per cent year-on-year in the first quarter, but thankfully, more than 18 months on, it is a different story, with wide vaccine rollouts across the country having done much to aid economic recovery since.

As of October 2021, Pfizer, Moderna and AstraZeneca vaccines have been used to vaccinate more than 44.6 million people over the age of 12 in Italy. "The vaccination coverage has exceeded 80 per cent of the population and this has allowed the reopening of economic activities," notes Franco Carulli, Italy head of securities services at Citi. "As a result, Italy's GDP will grow by six per cent in 2021," he predicts, with the S&P recently moving Italy's economic outlook from "stable" to "positive".

As well as the vaccine rollout, the Draghi government, sworn into power in February of this year, has done much to bring economic stability to the country. A change that Denis Dollaku, country head Italy at State Street, indicates has influenced the "Italian GDP [to grow more] than many other European area economies", proving it still to be a linchpin of economic power for the wider European Union.

Similarly, the European Commission in its economic forecast for Italy (released in July 2021) reflected this notion when it found that since the start of the year, Italy's economic activity "proved more resilient than expected and increased slightly in the first quarter, despite stringent containment measures" necessitated by the ongoing pandemic.

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> *"On the market side, there will be a strong need to harmonise the rules of asset servicing at European level as much as possible"*

The points of action now, as Italy goes forward in the months ahead, are well encapsulated by Citi's Carulli. As he explains: "On the intermediaries' side, there will be a need to further optimise processes and operating systems to cope with the increase in volumes."

"On the market side, there will be a strong need to harmonise the rules of asset servicing at European level as much as possible," he adds.

"The combination of these two initiatives will bring benefits that will enable the securities services industry to face the challenges that it will encounter along the way."

Domestic investment and cross-border flows

"The strength of cross-border and domestic investment flows in Italy is owed partly to private assets, which by their nature are a precious resource in times of crisis as they are sheltered from market fluctuations," says Elena Giordano, head of business development, Italy at CACEIS, meaning they have "proven to be more capable than other asset classes of addressing the current pandemic as well as its long-term effects".

Giordano adds that the economic volatility the COVID-19 pandemic caused in Italy helped "characterise the last two years", highlighting "the increasing reorientation of institutional investor asset allocation to alternative asset classes, a solution that is both key to supporting the real economy and the post-pandemic recovery of the Italian market".

The most recent data from the Italian Asset Managers Association (Assogestioni), highlighted to Asset Servicing Times by State Street, shows that the asset management industry has recorded slightly over €67 billion in net new cash since the beginning of this year.

Of course, it is a truth universally acknowledged that during times of volatility, money is simply saved and not spent. And this was no different for Italy as the first lockdown took hold. However, looking to the long-term, this is not necessarily a bad thing, as Roberto Pecora, CEO for Italy at Société Générale Securities Services (SGSS), indicates when he considers the local dynamics.

"The 2020 prolonged lockdown led to a high propensity to save (which doubled compared to 2019, rising to 15.8 per cent), but also [gave] a rise of assets under management, (which increased by 5.7 per cent in August of this year compared to December 2020). This was a positive climate recorded by the Italian market."

From a cross-border perspective, Citi found an increase of around 20 per cent in assets under custody held by foreign investors. This increase concerns both government bonds and shares, which is also a trend that may "further expand in light of the potential of the Italian economy", affirms Citi's Carulli.

Clearing, settlement and regulation

Money is on the move in Italy, a notion reflected by SGSS' Pecora who indicates: "We have seen an extraordinary increase in volumes and in the number of transactions."

He adds: "This growth challenge was managed extremely well within SGSS, even in a context of full remote working, which involved 98 per cent of employees and the entire SGSS IT system accordingly adjusted. A proof of very strong resilience and capacity to adapt."

This resilience and capacity to adapt, however, though not unique to Italy, is prudent to document when the country was one of the first European countries to go into a national lockdown suddenly in March 2020.

Italy's financial institutions were able to show levels of high resilience in operations, and this resiliency was advanced by the advent of both Target 2 Securities (T2S), as well as the introduction of T+2 settlement in line with CSDR, the latter becoming more of a standard and crucial step towards real-time settlement cycles.

The former, says Citi's Carulli, "has brought a great deal of harmonisation regarding the settlement of domestic securities, though not cross border ones as these are still subject to local nuances, which sometimes prevent straight-through processing".

From a central securities depositories (CSD) perspective, there is more to be done in the cross-border settlement space, according to Stéphane El-Gharbi, head of relationship management, Southern Europe at Clearstream.

He says: "Italy is a very strong issuer market but currently only has direct cross-CSD links to Germany and Spain. Today, there is the expectation that the 'already matched' cross-CSD T2S change request will be implemented in Italy. This would help CSDs such as Clearstream as the reduced complexity of cross-border settlement would lead to a reduction in fails and manual interventions."

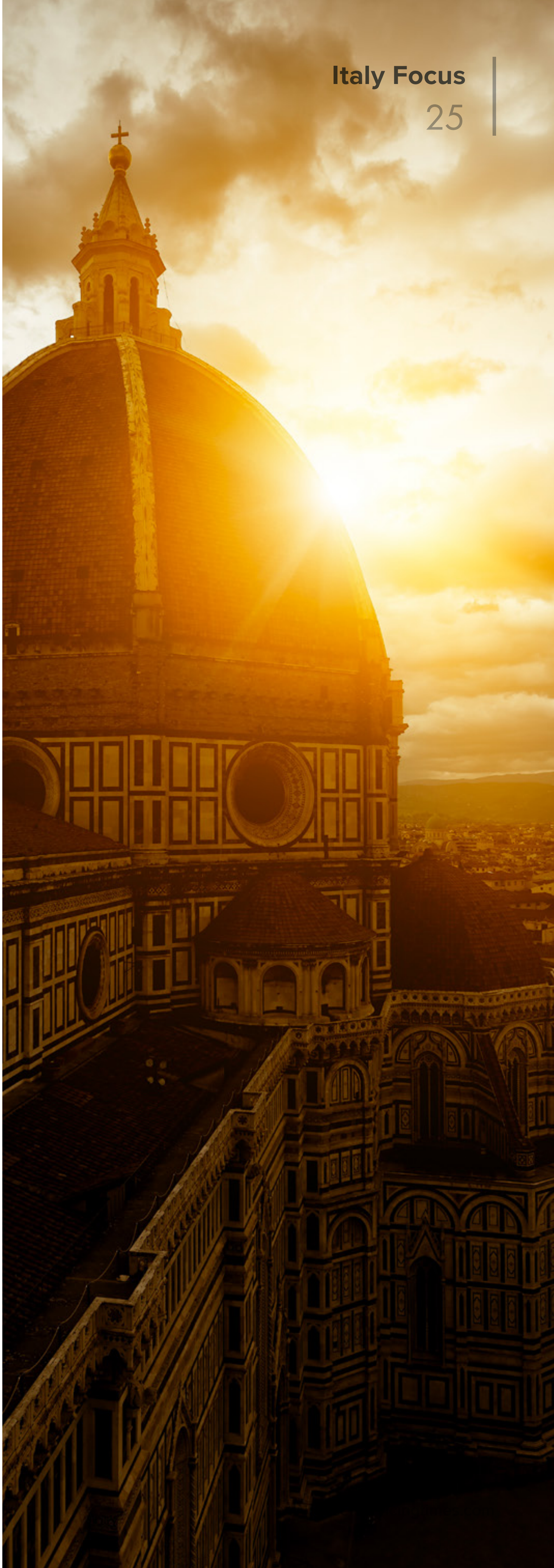
A sign of the times, manual interventions are slowly but surely being eradicated across the asset servicing space from a European-wide perspective, but with Italian asset servicing specifically "the pandemic helped turbo-expedite the pace of digital innovation," says State Street's Dollaku. "Hybrid working models are now reality, even though organisations, including ours, are still trying to figure out what the right balance is."

Major international players with a solid presence in Italy have been able to successfully respond to the critical issues raised by the global pandemic and its resulting financial low in 2020.

However, the sudden move to hybrid working, through necessity that year, shone a light on the need for accelerated adoption of new tools that will drive innovation and growth in the asset servicing space, not just in Italy but across Europe.

A bank or broker's reputation to keep up with this acceleration of technology and the ability to streamline the settlement cycle will be reflected in their levels of compliance when considering the next injection of change coming in 2022, this includes the buy-in regime under the Central Securities Depositories Regulation (CSDR). Of course, Italy, along with the majority of Europe, will be included in meeting this governance.

"As in other European markets, Italian banks are particularly interested in the usage of new technology and digital solutions to



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> *"Spanning the last year and a half, Italy passed the test as there was no noticeable disruption in asset servicing"*

streamline their securities and cash operational workflows," reflects Clearstream's El-Gharbi.

On this point, SGSS's Pecora states: "The technological developments implemented over the last two years have already fostered harmonisation of certain back-office processes both domestically and with the rest of Europe", in preparation for such regulations as CSDR. Though of course, Europe does not stand in complete harmony when its comes to this particular regulation, as the UK's decision, after Brexit, to pull out of this implementation will likely cause further fragmentation, which State Street's Dollaku highlights will undoubtedly have "repercussions on Italian asset servicers and investors".

For its part, Monte Titoli (part of the network of Euronext CSDs, located in Milan), "will upgrade its current process for the detection and the execution of market claims and transformations in 2022, in line with CSDR," indicates Alessio Mottola, head of operations at the exchange.

He adds: "This is considered by Euronext Securities Services Milan and its participants as a great opportunity to further enhance accuracy and timeliness," he adds.

The road ahead

Though Italy was one of the first countries to go into lockdown, it was one of the first to come out, and as early as 3 June 2020, the country began welcoming back foreign tourists from the wider EU and the UK — a matter of economic survival for a country that relies so heavily on its internationally renowned lakes, ski slopes and sunshiny south to be visited yearly by millions.

As Italy and wider Europe go through what will no doubt be dubbed in history books as the post-pandemic period, Clearmstream's El-Gharbi asserts that spanning the last year and a half, Italy "passed the test as there was no noticeable disruption in asset servicing".

Through 2021 this strength has been underpinned by an "unprecedented effort in Italy and Europe on expansive monetary policy and fiscal policy issues", says Giorgio Solcia, managing director of Italy at CACEIS, which encouraged investment, spearheaded by the stability of Draghi's new government.

Though, it is important to remember that every area of Italian asset servicing is not well polished and some processes are still strongly characterised by local particularities which "can still give rise to likelihood of risks and inefficiencies in the back-offices of local intermediaries", states Citi's Carulli, the most pressing of these risks being "tax management, corporate actions and proxy voting", he adds.

The need to refine the business processes and workflows relevant to the management of corporate actions and meeting events is also a concern for CSDs, notes Monte Titoli's Mottola, particularly where foreign markets are concerned.

He adds: "This area of improvement also encompasses the widespread use of domestic proprietary messaging that hinders the seamless processing of cross-border securities services as opposed to standardised messaging that is available to support the integration of European financial markets."

Looking to the future, Clearstream's El-Gharbi affirms that following the completion of the regulatory technological implementations, "Italy will be in a strong position to benefit from leveraging the direct access to T2S via ISO 20022 with direct links to all the other European markets", which will allow Italian asset servicing to offer "better cut-offs and a wider range of services" as well as "widening and reinforcing Italy's accessibility to global markets as a European T2S entry point".

From a national economic perspective, Citi's Carulli concludes that the European Commission's Recovery and Resilience Facility plan will "free up more than €200 billion, which will be assigned to Italy by 2026".

This will, Carulli vows, "further attract domestic and foreign investments in Italy in the years to come". ■


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Henry Raschen, director of regulatory outlook at HSBC Securities Services, has left his role at the global bank after nearly 30 years of service.

Based in London, Raschen began his role as director of regulatory outlook in March 2017.

Beginning his career with HSBC as finance manager, international, in 1992, Raschen has since worked as head of management reporting, head of strategic development and support, and head of regulatory and industry affairs.

Prior to HSBC, Raschen worked at Coopers and Lybrand and PwC. He has also served as a major in the British Army, beginning his military career in 1977. His next role is unknown.

Commenting on his departure via LinkedIn, Raschen says: "I have worked with talented, wonderful and often very entertaining people at HSBC, clients, professional firms, market infrastructures, regulators and the industry associations in securities services. Many thanks to you all."

He adds: "Now the industry looks forward to its crucial role in ESG developments, and of course to the transformation arising from digital and crypto assets, and I personally look forward to new opportunities in securities services or wider financial and consulting services."

Tim Hartley has joined Kaizen Reporting as director of European Market Infrastructure Regulation (EMIR) reporting.

Prior to Kaizen Reporting, Hartley was vice president at Kroll, the London-based

Charles River Development (CRD), the State Street company, has appointed Caroline O'Shaughnessy as head of Europe, Middle East and Africa (EMEA).

Based in London, O'Shaughnessy will be responsible for all business oversight within the region and collaboration with State Street Alpha, State Street's global front- to back-office platform.

Caroline has more than 25 years' experience in high revenue growth businesses including senior global commercial roles with DTCC, Thomson Reuters and Interactive Data.

Caroline joins CRD from The London Stock Exchange Group, where she was chief client officer and global head of sales and marketing of its information services division, and group head of its global strategic account programme.

Commenting on her new appointment, O'Shaughnessy says: "I am delighted to be joining CRD at a time of extraordinary demand and growth and am excited about working closely with our Charles River and State Street Alpha customers in EMEA to continue the honest and open partnership model that has brought our success to date."

Spiros Giannaros, president and CEO of Charles River, comments: "Caroline's energy and experience will bring our European organisation to the next level and enable us to continue the growth we are seeing as State Street Alpha enables our customers to develop innovative investment strategies, make better informed investment decisions and streamline business operations." ■

risk solutions provider (formerly known as Duff & Phelps), from March 2018 to October 2021.

At Kroll, Hartley advised hedge funds, investment banks, asset managers, brokers and non-financial firms on trade reporting and regulatory requirements. He also advised clients with their Markets in Financial Instruments Regulation and Securities Financing Transactions Regulation reporting requirements.

Before Kroll, Hartley was head of client services for CME Global Repository Services, helping and advising clients with EMIR and Dodd Frank among other regulations.

He also worked for seven years at JPMorgan Chase, onboarding clients for prime brokerage and clearing services.

Commenting on his new appointment at Kaizen Reporting via Linkedin, Hartley says: "I am thrilled and honoured to be joining the peerless team at Kaizen Reporting. I will be continuing my focus on EMIR reporting, and cannot wait to begin helping firms."

Samar Sen has left Deutsche Bank Securities Services after nearly three years with the global bank.

Based in Singapore, Sen served as product builder and fintech innovator at Deutsche Bank since February 2019.

During his tenure, Sen was responsible for unbundling products and services to offer an open banking platform via application programming interfaces as well as building automation to replace manual operations.

Sen was also responsible for offering clients live interactive dashboards and artificial intelligence-powered insights and applying blockchain technology to solve settlement and trust challenges in the global markets.

Prior to joining Deutsche Bank, Sen was senior product manager at BNP Paribas Wealth Management from April 2016 to February 2019.

He has also held senior roles at Goldman Sachs and Barclays Wealth and Investment Management.

Commenting on his departure from Deutsche Bank via LinkedIn, Sen says: "I am so proud to have been part of the Deutsche Bank family.

"I want to say a 'big thanks' to my hard-working and cheerful product and engineering teams (past and present), my mentors and champions, the great enablers and collaborators at all levels, helpful colleagues, and charismatic leaders across the bank."

Simon Gaites is to leave Northern Trust for Australian superannuation and pension fund, AustralianSuper, after 11 years of service at the global bank.

Based in Melbourne, Gaites most recently served as senior vice president head of client services, global fund services, a role he took up in March 2019.

Gaites started his career at Northern Trust's Dublin office in 2010. Prior to Northern Trust, Gaites served at Dutch firm, Prime Fund Solutions from 2002 to 2010.

Commenting on his departure from Northern Trust, Gaites says: "Today is my last day at Northern Trust Corporation, and possibly my last day in asset servicing after almost 20 years!

"It has been a tremendous journey at Northern Trust, since the early days in Dublin and the past eight years in Melbourne. I am grateful for every opportunity I have been presented with, and for all the support, generosity and friendships I have been blessed with over the years."

Northern Trust Switzerland has appointed Neda Derlokova as business development manager.

Based at the company's Basel office, Derlokova will focus on the growth of the company's continental European footprint bringing new capabilities to the local market.

Derlokova has an international background of business dynamics within asset servicing, having served in many senior roles across a number of European based banks.

Prior to Northern Trust, Derlokova served at CACEIS from January 2018 to October 2021.

Before that, Derlokova was business development account executive, corporate cash management at Société Générale from April 2016 to December 2017.

Since June 2021 Northern Trust has offered Depotbank services in Switzerland after receiving FINMA approval to offer local custodian, depositary, transfer agency and ancillary services to institutional investors and managers in the Swiss market. ■

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