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ISSUE 280 08 December 2021

It doesn't have to be taxing

Why tax reclamation is so important

CSDR

CACEIS analyses the postponement of mandatory buy-ins

The Year in Review

Looking back at the challenges and opportunities 2021 brought to the industry

Northern Trust expands partnership with Broadridge for SRD II compliance

Northern Trust has expanded its partnership with Broadridge for Shareholder Rights Directive (SRD II) compliance.

Northern Trust will utilise an enhanced version of Broadridge's Global Proxy Solution and Shareholder Disclosure Hub across Northern Trust's global asset servicing business to comply with the SRD II regulation.

The shareholder disclosure platform is the first in a suite of new investor communication solutions that Broadridge has developed in collaboration with Northern Trust and other leading banking organisations.

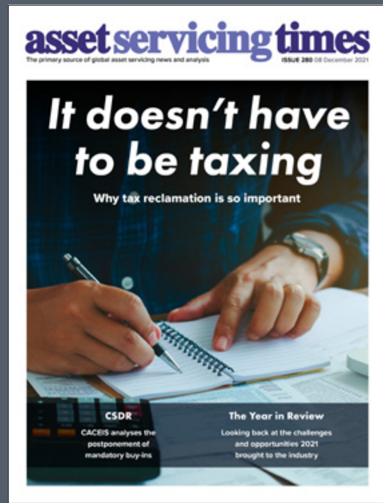
The platform utilises the latest digital technologies, distributed ledger technology and application programming interfaces to provide real-time connectivity to issuers and financial intermediaries.

Northern Trust will also utilise Broadridge's SRD II-enhanced Global Proxy platform to support same-day meeting distributions, agenda translations, vote processing, and vote confirmations to provide reconciliation tools for chain-of-custody clients.

SRD II sets objectives for intermediaries requiring transmissions of information between shareholders and companies. It has significantly impacted shareholder communications for all EU issuers, investors and intermediaries holding or servicing European equities around the world.

Demi Derem, general manager, investor communication solutions international at Broadridge, says: "We are delighted to expand our strong and collaborative relationship with Northern Trust across our full suite of SRD II solutions and look forward to collaborating further in the future."

Justin Chapman, global head, market advocacy and innovation research at Northern Trust, comments: "We are pleased to leverage our long-standing relationship with Broadridge — whose team has been instrumental in defining a market-ready SRD II solution for all aspects of voting and disclosure throughout the communications chain."



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BME launches digital proxy voting service for shareholders' meetings

BME, through Iberclear, its central securities depository, is to launch a new digital proxy voting service for shareholders' meetings, expected to go live in Q1 2022.

The service is offered in collaboration with Proxymity, an investor communications platform that connects issuers, intermediaries and investors via their proprietary digital network.

The service is powered by Proxymity's digital investor communications platform and connects participant entities and issuers to speed up and promote the efficiency of the voting process at shareholders' meetings.

This service will allow the management of shareholders' meetings that take place on domestic securities, cross border services securities and foreign securities not held by Iberclear.

The solution is implemented through a technical platform that complies with all the security and data protection requirements established under the Shareholders Rights Directive (SRD II), in order to guarantee the confidentiality and protection of the information stored in the systems.

Through this platform, the management by issuers and participants of the complete process of the meetings is facilitated, from the announcement of the meeting to the vote confirmation, through vote processing and accounting.

The partnership with BME and Proxymity means that investors will receive "golden source" meeting announcements direct from issuers in real time and be able to vote right through to the market deadline.

Commenting on the new partnership and the solution, Jesús Benito, CEO of Iberclear, says: "This solution has been developed in response to the demands from our issuers and participants to have a neutral, efficient and environmentally responsible solution that, building on technology and the experience of our technological partner Proxymity, will allow participant entities and issuers to become connected to manage digitally the voting processes at shareholders' meetings."

Jon Smalley, chief operating officer at Proxymity, comments: "We are delighted to work with BME and Iberclear on this important initiative. The deployment of Proxymity's platform not only brings SRD II compliance, but also real and immediate benefits for the Spanish investor ecosystem."

SimCorp teams up with Danske Bank to build up ESG offerings

SimCorp has partnered with Danske Bank Asset Management to build two new sustainability-related solutions. The first, SimCorp's new ESG framework, accessible through SimCorp's Dimension product, caters for a wide set of ESG strategies, allowing asset managers to optimise sustainability performance and ensure compliance with sustainability-related guidelines in portfolio construction via integration into front-office applications and processes.

The framework also onboards and manages any kind of sustainability data or metric to create custom sustainability key performance indicators (KPIs).

The framework is able to integrate sustainability data and KPIs into core investment processes such as pre-trade compliance, post-trade monitoring and reporting processes.

The platform also monitors sustainability performance and exposure, highlighting early warnings of risks and under-performance.

In compliance with the EU's Sustainable Finance Disclosure Regulation (SFDR), SimCorp has also launched its own SFDR solution, in partnership with Danske Bank.

SimCorp's SFDR solution enables the periodic reporting as prescribed by SFDR and EU taxonomy, as well as integration of the SFDR KPIs into pre-trade and post-trade investment processes.

This ensures that investment decisions are consistent and aligned with the KPIs that are reported to customers, says SimCorp.

SimCorp's SFDR solution allows asset managers, including Danske Bank, to enable SFDR-related reporting, by providing relevant KPIs and EU taxonomy alignment at position, product, and enterprise level. The solution also allows asset managers to optimise sustainability performance of investment products, by integrating KPIs into front-office applications and simplifies onboarding of SFDR-related data. ■

Azimut Group picks Apex for fund administration

Life insurance company Azimut Group has selected Apex Group to provide fund administration and middle-office services. Based in Italy and registered in Ireland, Azimut Group has an international presence across more than 17 countries with over €80 billion in assets (as of the end of October 2021).

Apex's fund administration services will be delivered to Azimut Group via Apex Connect, a secure, real-time, 24/7 web portal providing secure access to fund and investment data online.

Apex Connect communicates directly with the Pacific Fund System-PAXUS database to offer a dashboard, fund data, portfolio analysis and documentation. By automating manual processes, this technology will provide improved functionality, advanced reporting capabilities and operational efficiency, says Apex.

John Bohan, co-founder and country head business development (Ireland) at Apex Group, comments: "A robust middle-office and administrative function is paramount to the smooth running of a fund. We will enable the Azimut Life team to focus on their performance and growth, whilst the Apex team helps to mitigate risk and reduce their operational burden."

Filippo Fontana, general manager at Azimut Life, says: "We look forward to working with Apex Group's experienced team who have shown responsiveness and an entrepreneurial spirit which mirrors that of our business."

FIA EPTA welcomes EC proposals on MiFIR and MiFID II reviews

European capital markets require threefold policy action based on building a 'true' EU single market for financial instruments, improved data quality and transparency in European bonds, equities and derivatives markets, and strengthened investor protection standards, according to the Futures Industry Association European Principal Traders Association (FIA EPTA).

Commenting on the recent publication of the European Commission's review proposals on Markets in Financial Instruments (MiFIR) and the Second Markets in Financial Instruments (MiFID II), FIA EPTA "very much applauds" the Commission's proposals, arguing these three areas will ensure that European capital markets make a greater contribution to the EU economy and the wider wellbeing of its citizens post-Brexit.

Regarding the design and execution of a Consolidated Tape (CT) for equities, bonds and derivatives, FIA EPTA says it will "strongly support" its creation across the three asset classes as this will help to democratise European capital markets.

In addition, FIA EPTA says the CTs will allow end investors to exercise greater control over the various available execution options, which will benefit all market participants, not just the buy-side, in ensuring integration, efficiency and transparency.

FIA EPTA adds that it advocates for an all-encompassing derivatives CT, rather than the current proposed scope, which is narrow, to match equally comprehensive equities and bonds tapes. In terms of the Commission's bond market proposals, FIA EPTA argues that this complements the creation of CTs, as current MiFIR post-trade transparency information in bonds poses no practical value with weeks-long deferrals.

Therefore, FIA EPTA says it "welcomes the Commission's proposal to harmonise the deferral regime to ensure a level playing field, while at the same time shortening the publication delays for post-trade transparency information".

Finally, although FIA EPTA welcomes the Commission's intention to prohibit payment for order flow (PFOF) practices in the EU, the association expresses concern that the current draft of the proposal may be ineffective as it vaguely defines what is considered PFOF, how it is practiced, and between whom.

The association adds that a 15-minute deferral would be an appropriate recommended length based on market experience, as the current proposal is at risk of creating a "highly complex and conservative" regime that could see significant variance in deferrals.

Piebe Teeboom, secretary general of FIA EPTA, comments: "We welcome the direction of travel of the proposals, while still seeing definite room for further improvements. We look forward to working closely with other market participants and with public authorities to realise an updated EU markets rulebook that does justice to these imperatives."

SEBA Bank launches new platform for AMCs

SEBA Bank has launched a new platform to provide actively managed investment certificates (AMCs) to asset managers in an effort to allow easier access to digital assets for investors. The AMC platform enables Swiss asset managers to originate a Swiss-compliant AMC with Swiss international securities identification number, utilising SEBA Bank's portfolio management services.

SEBA Bank's solution allows asset managers, banks, and family offices to build bankable products based on crypto and traditional underlying assets. These products can then be offered to their clients in the form of AMCs, eliminating the complexities and frictions involved in setting up custom investment products, says SEBA Bank.

In line with the white label approach, banks and asset managers have the option to provide their crypto or blended AMCs with their own specific fee models.

Swiss financial product provider GenTwo Digital is supporting the establishment and coordination of the securitisation aspects of the platform.

Stefan Schwitter, head of investment solutions SEBA Bank AG, says: "We are excited to make it easier for banks, asset managers and family offices to offer products solutions in digital assets or as blended portfolios combining digital and traditional asset classes.

"We are pleased to continue the good cooperation with GenTwo Digital on structuring leading product solutions."

Philippe Naegeli, CEO at GenTwo, comments: "As a provider of modern securitisation platforms, we are proud to be SEBA Bank's competent partner in another key strategic move. Thanks to the possibility of implementing digital assets easily, SEBA Bank's AMC platform will add value to many banks, asset managers and family offices. It will enable them to develop future-oriented product offerings."

SimCorp partners with Domos FS

SimCorp has partnered with Domos FS to integrate the Domos General Partner Software-as-a-Service solution into SimCorp's investment management offering, across private and public markets. As part of the collaboration, SimCorp will also take an initial minority stake in Domos FS.

The combination of alternative investment innovations, built by SimCorp for limited partners and by Domos for general partners and fund administrators, delivers a new solution for clients that will enable them to better scale their business operations. The partnership has been created in response to the increased use of alternatives in recent years by a wide range of asset managers and asset owners, and the operational challenges this has presented for existing and new investors in these asset classes, says SimCorp.

The new offering includes machine learning-assisted document processing, cash flow forecasting, daily exposure calculation, investor portal, standardised partnership accounting and automated regulatory reporting.

SimCorp adds it has seen from asset managers and service providers that better integration and a smoother implementation journey, combined with a need for higher automation, has all been accelerated by the COVID-19 pandemic.

Commenting on the partnership, Christian Kromann, CEO of SimCorp, comments: “We believe that servicing clients efficiently means relying on and investing in state-of-the-art technology solutions, and our business model is designed to ensure we can offer this through our partner ecosystem. We are excited to join forces with Domos to provide the only truly cross asset front-to-back investment management offering on the market.”

Arnaud Vinciguerra, CEO of Domos FS, comments: “This partnership presents a fantastic opportunity to accelerate our market footprint through a strong collaboration where we have seen great technology, products and not least, a seamless cultural fit.”

TNS invests in Layer 1 solution for Asian connectivity

Transaction Network Services (TNS) has made a significant investment in its essential high performance trading services connectivity to Asia through a Layer 1 network solution.

As a market leader in capital market client and counterpart connectivity, the TNS network currently has 247 regional financial community endpoints on its low latency infrastructure, including exchanges and data centres.

When combined with the Layer 1 in-data centre solution, the global network covers 11 countries and 23 exchanges in the Asia Pacific (APAC) region.

The Layer 1 technology offers ultra-low latency access to markets and market data, as well as faster execution speeds. The solution also removes the need for multiple

switches as it leverages a single-hop architecture to deliver connectivity in five to 85 nanoseconds.

The continued network deployment, as well as partnerships with Singapore Exchange, Japanese Exchange Group and Hong Kong Exchanges and Clearing, demonstrates a commitment to service deployment in the region, TNS affirms.

Asia is recognised as a "strategic necessity" for traders, adds TNS, hosting eight of the top 20 exchanges in the world and fuelling their growth and competition.

Jeff Mezger, vice president of product management for TNS' financial markets business, adds: "Asia provides significant opportunity and growth, with fast developing as well as emerging markets for traders.

"We recognise the need to provide the quality of Asian connectivity, to match the present and future needs of clients. We have designed the network to have sufficient capacity to provide streaming of market data globally, with the ability to deliver APAC-sourced market data to the US and Europe, and vice versa."

Pension savers want greener investments, says Cushon

Half of pension savers wish to ensure their pension is invested in companies with environmentally and socially sustainable investments, according to new research by net zero pension provider Cushon.

This figure was even higher (60 per cent) among millennials. Cushon also found that there are several misconceptions concerning the regulation of pensions, with 48 per cent of respondents mistakenly believing that pensions can only be invested in companies that do not have a negative environmental impact, or they are unaware if there are rules on this.

45 per cent state they believe there should be rules around the impact of pension investments on climate change. This follows previous research from Cushon, which found that the average UK pension pot finances 23 tonnes in carbon emissions each year through the companies it invests in.

Cushon's previous 'Pensions Funds and the Climate' research found that 62 per cent of employees who belong to a workplace pension scheme would engage more with their pension if they knew it was having a positive impact on climate change.

Commenting on the results, Ben Pollard, founder and CEO of Cushon, says: "People clearly want their pensions to be a force for good, and to have a positive impact on things they feel strongly about.

"With all this confusion and misunderstanding, pension providers need to work faster to enable savers to have their voices heard and to align investments with fundamental issues like the fight against climate change."

Cushon is set to launch a new investment strategy in early 2022 to leverage the potential for higher investment returns and focus on greener companies with improved long-term projections. ■


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It doesn’t have to be taxing

This industry panel explains why tax reclamation is so important and what factors are currently driving change within this service sector

Jenna Lomax reports

Peter Grant, partner, KPMG LLP, explains dividend withholding tax and double taxation relief

In many countries, dividend (and in some cases interest) payments may be subject to the deduction of tax at source – that is to say, withholding tax.

In paying a dividend to a non-resident, the paying company (or its agent) may be required to deduct tax at the prevailing rate (statutory rate) and pay this over to their domestic tax authority.

Where the investor is subject to tax in its country of residence (or intended to be exempt from tax, as might be the case for certain pension funds for example) this withholding tax can result in double taxation.

For this reason countries have negotiated double taxation treaties (DTTs), which typically contain provisions to mitigate the impact of this potential double taxation.

Tax relief is generally obtained in one of two ways. Either via relief at source (RAS), where the tax relief is granted upon payment of the dividend, typically based on information provided through the payment chain to identify the end beneficial owner, or through a retrospective tax reclaim, submitted to the overseas tax authority after the dividend has been paid.

Reclaim opportunities may also be granted under domestic tax legislation with regard to the nature of the recipient.

What are withholding tax reclaims, and why is reclamation so important?

> *"The preference of investors and service providers will always be to obtain RAS as this provides improved cash flow"*
>
> **Peter Grant, KPMG LLP**

Peter Grant: A withholding tax reclaim opportunity can arise where an investor holds a security, such as an equity, which generates dividend income. The source country will often, but not always, impose a withholding tax on the dividend payment. For example, the UK does not impose any withholding tax on dividends.

Where the security is held cross-border, the respective countries might negotiate a bilateral tax treaty which agrees to, among other things, the maximum amount of withholding tax investors each country should suffer. For example, the Canadian statutory withholding tax rate on dividends is 25 per cent, but the DTT between Canada and the UK is 15 per cent. This should mean the UK investor, assuming they meet certain stipulations — such as the residency and beneficial ownership requirements under the treaty — can recover any excess withholding tax above the level of the treaty.

A tax reclaim is often required to include certain supporting documents to affirm the eligibility of the investor and ensure they meet the requirements of the tax treaty. For example, a certificate of tax residence issued by the local tax office of the investor might need to be included with the tax reclaim application.

The dividend and tax reclaim payment chain is often highly intermediated — the investor might appoint a bank to act as global custodian, who in turn will use a local sub-custodian (potentially a third-party bank). This bank might interface with local paying companies, tax authorities and a central securities depository. Information, as well as physical paper forms, typically need to flow between these intermediaries, often in very short timeframes, to enable a withholding tax reclaim or RAS payment to be made.

In some cases, the position is even more pronounced. For example, the statutory withholding tax rate on a US dividend is 30 per cent, which can be reduced under the US-UK DTT to 0 per cent for a UK pension fund. The impact of this tax relief could be up to 60 basis points on income flows if you assume a 2 per cent dividend yield, not insignificant when investors are searching for better returns.

The preference of investors and service providers will always be to obtain RAS as this provides improved cash flow. However, not every country makes this available, while some that do impose onerous requirements which can make it practically impossible to achieve.

Sarah Cooper: Operationally, investors can receive dividends and interest payments on cross-border securities. However, a withholding tax is imposed on non-residents by the foreign tax authority, which can be as high as 35 per cent.

If a DTT exists between the market of investment and the market of residence, investors may qualify for a tax reduction, either via RAS or a reclaim. Where markets offer both, the investor elects the method, but each requires lengthy documentation and reporting.

Filing for a refund of over-withheld tax can take from six months to several years — even as long as a decade — depending on the jurisdiction. Generating and populating reclaim forms is a daunting task. Certification and supporting documents are required, which vary according to the jurisdiction. Reclaims have to be submitted and initiated with the relevant tax authorities, and then tracked closely until the reclaim has been processed.

Due to the multitude of different requirements and reclaim life cycles across the globe, the withholding tax reclamation process is one of the most complex and time-consuming aspects of tax operations.

Yet it is a vital element of a fund manager's fiduciary duty to maximise investment returns, as funds that reclaim tax typically boost returns by 25-50 basis points annually. This is why it is so important for investors to be aware that they could be leaving money on the table that is rightfully theirs, and to ensure that reclamation takes place.

Ali Kazimi

Managing director, Hansuke Consulting

"Withholding tax reclamation processes take two operational forms; either RAS or the certification method"

In general, withholding taxes are those taxes that are suffered on investment returns (dividend and interest) at source at the time that the income item is paid. The withholding tax being suffered can often be reduced by a DTT or a domestic law exemption. An example of a domestic exemption is the Portfolio Interest Exemption that applies to coupon interest arising on US treasury bills.

Where the amount withheld is in excess of the applicable treaty rate or domestic exemption, that gives rise to an entitlement to reclaim that excess. Withholding tax reclamation processes take two operational forms; either RAS or the certification method.

The importance of reclamation lies in investment returns drag for the investor and in the legal and commercial obligations that are created for intermediaries.

What is driving the market for tax reclaims?

"Thanks to advancements in fintech, it is now much more efficient and cost-effective for custodians and agents to provide a high-quality, comprehensive reclaim service to their clients"

Sarah Cooper, Goal Group

Cooper: We are seeing a marked increase in demand for our tech-driven, automated withholding tax relief and reclamation solutions. Part of the reason for this is the growing recognition that failure to perform this historically complex and laborious task accurately and efficiently costs investors dearly. Also, thanks to advancements in fintech, it is now much more efficient and cost-effective for custodians and agents to provide a high-quality, comprehensive reclaim service to their clients, either as a managed service or in-house. Large banks often prefer the latter for reasons of client confidentiality.

I know from first-hand experience that it is proving harder and taking longer for investors and their intermediaries to jump through all the hoops required to qualify for RAS, which can lead to a delay in trading. In markets where there is a choice between RAS or a reclaim, such as the US, France, Italy, Ireland and Sweden, many clients now prefer the reclaim option so they can start trading as soon as their service provider has carried out know-your-client checks.

We are also finding that many institutions are currently reassessing their service provision in the area of withholding tax reclaims, and this is reflected in rising numbers of new business enquiries. Many recent industry reports have indicated that dividend payouts are rebounding globally and have almost returned to pre-pandemic levels. This undoubtedly sharpens the focus on efficient tax recovery services.

Grant: Tax reclaims exist to mitigate the impact of excessive taxation. In many cases, the tax reclaim function is outsourced to a service provider, typically a global custodian for large institutional investors or private banks for high-net-worth investors, who might in turn use a global custodian.

Competing forces of higher volumes, greater tax authority scrutiny, and a growing discomfort by service providers to take on the operational or tax risk of providing tax reclaim services has resulted in situations where cross border investors are not always able to recover withholding tax — which they might be due — under a DTT.

Increasingly, other service providers with specialist expertise are stepping in to help — specialist reclaim providers and tax advisers with global capability and expertise. However, the cost dynamics for these providers is very different compared to a global custodian running this on an industrial scale.

We find investors are not always fully aware of the areas where service providers support tax reclaims, often down to highly complex market requirements, assets with non-standard tax treatment, or when a global custodian is simply not able to act for the beneficial owner. This situation can lead to a mismatch of understanding of service scope and, if investors are not fully informed, it can leave available tax relief unclaimed.

Kazimi: Global investors, be they individuals or institutions (sovereigns, investment funds and pension funds, insurance companies), often end up paying more tax on their cross-border investments than legally due from them. Accordingly, and rightfully so, there is a strong call for investors not to suffer excessive taxes on their investments.

The investor activism is driving international organisations such as the Organisation for Economic Co-operation and Development (OECD), United Nations and EU to look into ways to improve the mechanisms and processes to enable investors to secure their entitlements. A research study by the Goal Group estimated that as much as £13.2 billion is lost due to excess withholding taxes not being fully reclaimed. Many are now looking to the promise of new technologies such as blockchain to solve the problems of antiquated paper-based reclamation systems.

How has COVID-19 affected the tax reclaims process?

Kazimi: The immediate and direct impact of COVID-19 has been to slow down the processes of tax authorities in the processing of reclaims. For an overseas lender to establish themselves to obtain RAS, the UK HMRC's DTT passport process used to take circa four weeks. That process is now taking between 15 and 16 weeks just on account of the applications backlog. From the investor's perspective, there is now far greater focus on investment returns. The easy way to enhance performance is to tighten up the tax reclaim process. Many investment portfolios, in search for higher returns, are switching asset allocation towards the more frontier and exotic markets. This switch to international investing creates further issues with respect to withholding tax reclaims.

Cooper: The pandemic put unprecedented strain on normal operations across all areas of society but, as far as our business area is concerned, we managed to maintain business as usual. Part of the reason for this is the flexibility and helpfulness shown by foreign governments and tax authorities, many of whom worked together to adapt quickly, for instance by extending submission deadlines and accepting digital documents to a far greater degree than ever before.

In fact, I would say that COVID-19 has certainly advanced the industry's shift to digital. The cross-border withholding tax reclamation process has always been quite reliant on physical documentation but, as in so many areas of life, the pandemic proved that it is perfectly possible (and of course ultimately quicker and more efficient) to operate digitally. We are one step closer than we were before.

The importance of choosing the right service provider has been amplified by COVID-19. For instance, it is vital to have access to the very latest changes in deadlines and procedures to submit accurate and timely reclaims on behalf of investors. It is very hard to do this without tapping into the knowledge of a dedicated global research team.

Grant: The tax reclaim world has not changed much over the last 20 years and certainly has not kept pace with the digitisation successfully implemented by tax authorities in other areas. I can file my tax return online, but claiming withholding tax often means using physical paper forms and wet ink signatures.

> *"Under a process so reliant on paper forms and wet ink signatures, remote working and lockdowns could have brought the tax reclaim process to a standstill. Thankfully, that did not happen in most cases"*
>
> **Peter Grant, KPMG LLP**

Under a process so reliant on paper forms and wet ink signatures, remote working and lockdowns could have brought the tax reclaim process to a standstill. Thankfully, that did not happen in most cases, as investors, service providers, industry bodies and tax authorities made efforts to mitigate the effects with several temporary fixes.

In some cases, tax authorities agreed to receive forms electronically with electronic signatures and even agreed to temporarily extend the statute of limitation (the time limit available to submit the reclaim). In addition, where tax reclaim forms needed to be certified (by the investors tax office) before being sent to the overseas tax authority, some authorities agreed to accept an electronic version of this certification.

We will need to wait to see how much of this process change sticks, or whether it will act as a catalyst to change. Some of these measures will improve the process but ultimately, it is the lack of consistency across countries which causes the most complexity.

Why is so much money left unclaimed each year?

Grant: The estimates for the amount of lost withholding tax relief varies, but the European Commission estimates €8.4 billion per annum was lost in 2016. If this is even close to the correct amount, it represents an enormous amount of money that does not get collected each year.

The reclaim process is often complicated, cumbersome and in many cases lacks prescriptive rules as to how to obtain relief. Furthermore, the tax reclaim process differs significantly across countries, making automation very challenging. There is no standardised set of beneficial owner documentation, or even consistency of the data points which need to be collected or how beneficial ownership is evidenced, across different countries.

Information about the beneficial owner is often held by the investor's global custodian and then needs to be transmitted to a tax authority (usually through a long chain of intermediaries). Completing this in very tight timeframes can mean the opportunity to obtain tax relief is not cost-effective or simply impractical. As the process becomes harder and the global custodian is expected to apply judgement or take a technical view on eligibility, they quite understandably might be inclined not to support that claim.

Recent high-profile cases of alleged tax fraud (such as the so-called cum-ex and cum-cum transactions) have heightened concerns by tax authorities and prompted them to increase the level of scrutiny they apply and the information they request before issuing a withholding tax refund.

Some have raised the argument that if countries are serious about removing withholding tax relief barriers, then why not reduce the statutory tax rate to the level of the common treaty rate and remove the need to process burdensome reclaims? Thus, reducing costs and administration for tax authorities and eliminating the issue altogether for investors could also help address concerns of fraud by removing the need for tax reclaims.

Clearly, it is not this simple, as tax authorities would need to balance this against the likely outcome of reducing their tax take, both as a result of a wider range of investors benefitting from the lower withholding tax rate, as well as some investors who might not previously have been able to navigate the complexities of claiming refunds.

Cooper: We know that US$15 billion of withholding tax on foreign shares and bonds is left unclaimed by investors and their intermediaries every year. There are many reasons for this. Traditionally, many in the industry have felt that the burden of reclaiming withholding tax outweighed the benefits. Although awareness is growing that reclaiming tax is a fiduciary duty and that digital technology has transformed the process and cost model, there is still much progress to be made across the industry.

The industry is also hampered by the false assumption that other parties in the custody chain are already handling tax recovery. For instance, asset managers might rely on their custodian but actually it is very unusual for tax reclamation services to be included in their standard service offering. This is a significant contributory factor to beneficial owners missing out on their rightful returns. The reality is that institutional investors are still often short-changed.

Kazimi: There are a multitude of reasons that result in money being left on the table. The withholding tax reclamation processes across the globe are not uniform, overly manual, and are often in foreign languages and painfully slow. The onerous processes are further complicated by the following factors:

- Multi-tiered investment holding structures supported by complex network of intermediaries
- Uncertainty of tax treatment of certain investment vehicles (opaque or transparent)
- Tightening of tax definitions and requirements (beneficial ownership and substance requirements) as well new limitation of benefits clauses in DTT
- Greater circumspection by tax authorities in the aftermath of the cum-ex fraud

How does non-reclamation impact the investment community?

Sarah Cooper

Global head of research and product development, Goal Group

Losses hit nearly US$7 billion for investors domiciled in Europe; $4.5 billion for US and Canadian investors; and $3 billion for investors in Asia Pacific.

These alarming sums reveal the true impact of non-reclamation on the global investment community.

It is therefore imperative that the industry addresses the huge disparity in the scope and quality of reclamation services so that investors no longer needlessly miss out on such significant proportions of their rightful returns.

"Losses hit nearly $7 billion for investors domiciled in Europe and $4.5 billion for US. These alarming sums reveal the true impact of non-reclamation on the global investment community"

Sarah Cooper, Goal Group

Kazimi: At a societal level, deficient pensions and savings represent a genuine social cost. Such deficiencies arise, in part, due to the dysfunctional reclamation processes. The investment drag creates inefficiencies distorting proper asset allocation.

At the micro level, firms that are better able to monetise their tax reclaim positions will ultimately perform better in the long run. Hence, the greater focus by industry on tax reclamation whether they be exchange-traded funds, hedge funds or sovereign investors — everyone is seeking to avoid leaving money on the table.

More soberingly, intermediaries that are expected to secure reclaims of excess withheld taxes could face legal action for negligence or breach of fiduciary responsibility for their failure to safeguard assets of their principals.

Grant: The delay, or worse still the inability to recover tax reclaims, on cross-border investment ultimately impact investment flows to individual savings or pension funds, which has a real impact on pension provision for individuals through reduced cash flows, preventing the reinvestment in capital markets. Furthermore, the administrative cost for processing, monitoring and following up with claims indirectly gets passed indirectly back to the investor.

What other trends are you seeing in the world of tax reclaims?

> *"The world of international tax and the regulatory landscape is constantly evolving and it is imperative for the asset servicing industry to be in a position to analyse the implications of new rules, rates and risks as they present themselves"*

Sarah Cooper, Goal Group

Kazimi: The big debate across the EU is the exploration of a self-regulating tax reclaim system called Tax Relief and Compliance Enhancement (TRACE). It is being trialled in Finland as we speak. It is largely modelled on the US Qualified Intermediary regime, whereby the authorised intermediary will take on the responsibility of granting treaty benefits based on proper documentation and reporting, and subjecting themselves to external audits to police their compliance.

Spurred on by the OECD, the EU is expected to play a much greater role in establishing tax standards. A leading European think-tank recently called for a common withholding tax across the EU. In coming years, deals such as the OECD's minimum global tax rate will become politically more attractive for the post-COVID-19 depleted treasuries.

Cooper: The world of international tax and the regulatory landscape is constantly evolving and it is imperative for the asset servicing industry to be in a position to analyse the implications of new rules, rates and risks as they present themselves.

One key trend we are seeing is tax authorities across the globe conducting a rising number of audits of the various parties in the tax reclamation ecosystem. The frequency and requirements of the audits vary from authority to authority, but they all rely on an extremely robust digital audit trail and workflow in order to produce the necessary documentation and certifications on behalf of clients. This is driving many institutions to outsource back-office tasks, with tax reclaims being a prime example, so they can leverage the scale and digital infrastructure of a specialist provider to ensure watertight processes and handle audits more efficiently.

As part of the shift to digital, tax authorities are moving to real-time reporting. This further increases the industry's reliance on highly advanced digital solutions that are able to seamlessly manage these emerging requirements in the field of tax reclamation.

More generally, institutions are looking to improve operational efficiency, streamline processes, create a competitive edge, build scalability into their service offering and maximise returns for investors – all the while containing costs. Digital, cloud-based technologies are producing truly transformative results in all of these areas. Regardless of the maturity of an institution's in-house digital transformation programme, they can leverage the power of cloud via outsourced or subscription-based solutions. This presents a real opportunity to turn tax reclaims from a fiduciary duty into a valuable service advantage.

Peter Grant

Partner, KPMG LLP

"Global custodians are looking for ways to bring automation into the process and make it easier for their clients"

As cross-border capital flows increase, so does the complexity. Tax authorities want more information from investors and the definition of beneficial ownership is being challenged more and more. Questions about certain investors continue to be debated, for example, should a collective investment vehicle benefit for tax treaty relief at the fund level? Should this be applied at the investor level or should some form of analysis to establish the percentage of investors resident in treaty locations be considered? These questions do not seem to go away and tax authorities are applying even greater scrutiny to reclaims received.

Collective investment vehicles which pool money from multiple investors (in a retail fund, often many thousands of investors) have found it increasingly difficult to obtain tax treaty benefits in some jurisdictions. The determination of treaty eligibility and beneficial ownership is not consistently applied, with some countries asking collective investment vehicles to provide information about the underlying unit holders, something which is difficult or even impossible, as it is common for funds to be held through a series of distributors, platforms and local banks, meaning the fund often will not know exactly who the end investors are or where they are tax resident.

These growing demands for additional information to evidence treaty entitlement are being pushed down to the global custodians, who typically act for institutional investors. This, in turn, is increasing the tension between the traditional role of a global custodian, how they are remunerated, the level of risk they are absorbing, and expectations on them to apply some level of tax-related assessment as to the eligibility for treaty relief by their clients. There is a head of steam building which does not yet have an easy outlet.

Global custodians are looking for ways to bring automation into the process and make it easier for their clients. For example, the use of automated prefilled reclaim forms with beneficial owner information has become a more common service for some global custodians — but we still see these paper flows being managed via email, without any significant automation in place. The global custodian community has taken steps to address some of these automation opportunities, but the lack of consistency across countries does make this quite difficult.

How do you see the future of tax reclaims?

> *"As fiduciaries embrace digital solutions more widely in response to both market and regulatory demands, we will undoubtedly continue to see strong growth in tax reclaims across all markets"*
>
> **Sarah Cooper, Goal Group**

Cooper: Withholding tax reclamation is a niche, complex and labour-intensive area. It is very hard to straight-through process this, and it is only with the latest fintech — combined with a knowledge base that is continually updated — that the process can become efficient, accurate and cost-effective.

As investors become more aware of the imperative to reclaim tax, and as fiduciaries embrace digital solutions more widely in response to both market and regulatory demands, we will undoubtedly continue to see strong growth in tax reclaims across all markets. In addition, cross-border investment is projected to maintain its long-term upward trajectory which will drive a need for efficient tax recovery services.

Increasing numbers of institutions are outsourcing the whole reclamation process, or 'insourcing' a digital solution to take the pressure off the in-house team and scale up their service proposition cost effectively. With the right approach, tax recovery can be turned into an area of competitive advantage, both for clients and as an interbank services opportunity.

In terms of wider trends, tax harmonisation across the EU has been on the agenda for several years. It is a well-intended initiative but hugely complicated to implement. We will continue to keep our clients up to date with the latest thinking and announcements on this. The shift to digital is also gaining momentum in the world of withholding tax. One thing is for certain — institutions already using the latest digital, cloud-based solutions to manage their tax reclaim processes are in a strong position to respond quickly and efficiently to new requirements as they emerge.

Grant: Investors should benefit from enhanced returns, global custodians from lower operating costs and tax authorities will get access to better information to help prevent tax fraud and ensure relief is only given to those who are entitled.

There are numerous reasons why TRACE did not get off the ground. Primarily it is an issue of trust between governments and different areas of the financial sector, which has not been improved by large scale alleged tax fraud identified in recent years. The so-called cum-ex trading scandal which has been estimated to have cost governments nearly €10 billion has left a particularly bad taste with tax authorities, making them sceptical about any suggestion from the financial services industry to simplify the withholding tax relief system. This will need to be overcome to move forward as well as better articulation of the benefits for each of the stakeholders, especially governments and tax authorities.

Discussions about the use of a blockchain or distributed ledger technology (DLT) to enable the secure and real-time tracking of ownership and dividend entitlement, leading to the ability to attribute a tax reclaim. The technology itself does not deal with the issues of country level consistency or a uniform approach to assessing beneficial ownership, we therefore have to be careful not to replace 27 inconsistent manual regimes with 27 inconsistent digital regimes. In my mind, as well as the multiple technical issues, there are two major barriers which need to be overcome for a distributed ledger solution to take hold.

Firstly, regaining trust between stakeholders that this will not just facilitate an elaborate way for investors to artificially reflect ownership and overclaim tax relief will be vital. This is arguably exacerbated by the lack of general understanding of DLT, which despite a lot of discussion, is still far from ubiquitous. DLT is still in its infancy and convincing governments of the latest shiny new technology being endorsed by large, global banks, is not going to be an easy sell.

Secondly, the cost-benefit ratio for the different stakeholders needs to be better understood. Will governments invest time and money in transforming the withholding tax relief system to help ensure the estimated €8.4 billion of unclaimed tax relief can be claimed more easily? The argument that this will make capital markets more attractive and accessible is nebulous; alternatively, arguing that it will reduce tax fraud might not be enough to convince governments. After all, Finland has introduced their own TRACE and Germany has legislated to stamp out withholding tax fraud through a central beneficial ownership register — in both these cases it is not clear what additional benefits a blockchain will bring.

That said, I can certainly see a future where blockchain plays a significant part of the withholding tax process, but I do wonder if this will not be the by-product of digitisation of the overall securities ownership and movement sector, as opposed to a standalone initiative for withholding tax.

Kazimi: The EU protective reclaims are anticipated to gather further momentum and pay downs by tax authorities should follow suit. The systematic siding by the The Court of Justice of the European Union in favour of the taxpayers against the discriminatory practices that undermine the effective working of the single market, has emboldened more investors to lodge claims. Obviously, such claims need to be substantiated by a proper analysis of the entitlements.

There is much debate around DLT solving the problem of unclaimed excess withholding taxes. European Fund and Asset Management Association, the umbrella organisation of European asset management trade associations, is leading the debate with its Blockchain for Taxes project. It has laid down the fundamental design principles and different institutional clusters are working on the design.

Some have sought to directly apply blockchain technology to solving the tax reclamation conundrum. We are ideologically in the other camp and believe that you do not "bolt-on" a withholding taxes blockchain solution to an antiquated engine.

Our solution seeks to fix a deeper and more fundamental issue of how investments are to be made on a blockchain, the tax benefits will be many and wide and will not be restricted to withholding taxes alone.

"The more fundamental solution brings withholding solutions but also encompasses transfer taxes, capital gains and investor tax reporting." ■

The great postponement

Eliane Meziani, senior advisor and Rodolphe Carissimo, advisor for CACEIS public affairs talk to Jenna Lomax about the postponement of the CSDR mandatory buy-in rulings and why the market requires and deserves due time to prepare for it

Please summarise your interpretation of the buy-in rules that are being enforced in February 2022?

As CACEIS detailed in its answer to the consultation last February, published in the name of The Association Française des Professionnels des Titres (AFTI), the settlement discipline regime is a component of Central Securities Depositories Regulation (CSDR) which is in critical need of change.

Admittedly, it has not yet entered into force. However, we already know that the current design, especially for the mandatory buy-in requirement, will create fundamental issues and have a severe impact on the market.

The current regime has two main characteristics. The first is a strict and constrained framework which forces the end buyer to accept cash instead of the expected securities should the buy-in be unsuccessful, and which prevents the use of other existing mechanisms, such as International Capital Market Association (ICMA) rules or buyer protection, which are also admitted outside Europe.

The second characteristic is a systematic application that will lead to pointless or irrational purchases, because a single lack of stock will most likely trigger several buy-ins and because the current scope includes all types of transaction — thus submitting to the mandatory buy-in portfolio transfers, realignments, collateral movements, primary market-related transactions, or even the buy-in itself.

In March 2021, an alliance of 14 trade bodies called for CSDR buy-in delay and that the buy-ins should be held back from implementation schedule until these are fit for purpose. What are your thoughts on this?

CACEIS is fully in line with this alliance: building this new buy-in regime requires and deserves due time. Accordingly, there is a need to postpone its activation by, for example, decoupling the penalties from the buy-ins. CACEIS is in favour of a two-step approach, which would provide an opportunity for the penalty regime to take effect and for the impact to be adequately monitored and assessed by the authorities.

It seems we have been heard, since the European Securities and Markets Authority (ESMA) has clearly stated in a letter to the Commission, sent on 24 September, that it is in favour of delaying the entry into force of the buy-in requirements until after 1 February.

The industry's legitimate request — relayed by ESMA — appears to have been taken into account by the European authorities. On 24 November, the Commission announced — through the European Commissioner for Financial Services and the Financial Stability and Capital Markets Union — its decision to postpone implementation of the mandatory buy-in regime. This decoupling of mandatory buy-ins from the rest of the regulatory discipline has been possible as a result of the introduction of a legislative rider within the Pilot Regime Regulation, with the trilogue conducted over the past few weeks.

The European institutions have agreed to a postponement that might extend over years, thus giving the industry the necessary time to comply with these new obligations and to prepare confidently for the future revision of CSDR planned for 2022.

What opportunities will the buy-in rules bring in terms of uniformity across EU member states and what are the most challenging areas of the rulings? What has been CACEIS' experience in navigating and preparing for them?

Buy-in rules are addressing a specific issue, which is the failure of a trade settlement. They have been designed as a deterrent against failing parties, which may be required to provide cash compensation.

"The European institutions have agreed to a postponement that might extend over years, thus giving the industry the necessary time to comply with these new obligations and to prepare confidently for the future revision of CSDR"

This will require a healthy range of buy-in agents which need to exist to fulfill this regulatory requirement — and this raises concerns as to whether such a requirement can be implemented otherwise. In conclusion, the result may be that many buy-ins in illiquid securities will be unsuccessful, resulting in mandatory cash compensation.

The most challenging area, in implementing the rulings, may be to identify the adverse impact and undesired consequences that would potentially result.

Buy-ins, whether regulatory or contractual, should be discretionary and not mandatory. Do you agree with this?

Buy-ins should not be mandatory since this obligation could result in multiple negative consequences for the financial market (difficulties

"This decision will give the authorities the time needed to assess the behaviour of players and evaluate the effectiveness of the penalty regime before introducing, if necessary, a buy-in system which should be limited to genuinely risky transactions"

from liquidity, prices, transactions costs in particular for illiquid securities). Moreover, this obligation appears to be disproportionate, given the low volume of failed transactions in recent times.

The option of a voluntary buy-in reduces the burden on regulatory authorities and creates greater flexibility for market-driven solutions. The prescriptive nature of the current regulation (Level 1 and Level 2) will not facilitate the implementation of effective market practices.

Finally, CACEIS wishes to underline the threat of a mandatory EU membership regime by considering the decisions of third countries such as the UK not to implement the CSDR discipline regime.

This could distort competition by favouring non-EU central securities depositories, rather than those of the EU, and weakening the European financial market at a time when the EU wants to get rid of dependence on third-country financial centres (and of the UK in particular, which has embarked on the path of regulatory divergence on CSDR, as on many other texts such as Packaged Retail Investment and Insurance Products and General Data Protection Regulation).

In what ways would the mandating of buy-ins have an adverse impact on European liquidity? And how could this affect end investors, in particular?

An impact study conducted by ICMA in 2019 shows that the settlement discipline regime will have a significant negative impact on pricing and liquidity.

While the detrimental impact will affect all classes of bonds, they will be more significant with respect to less actively traded corporate and sovereign bonds, high yield, and emerging markets.

Furthermore, the regime will indirectly deter lending of securities, again with the least liquid bond classes being most significantly impacted.

Do you think the proposed regulatory buy-ins should be seen as a last resort in response to industry failures?

They should be considered only as a last resort response to industry failures, otherwise this action could lead to undesired consequences for market participants. Furthermore, the postponement recently granted by the European institutions should be used to stabilise the penalty regime.

This decision will give the authorities the time and distance needed to assess the behaviour of players and evaluate the effectiveness of the penalty regime before introducing, if necessary, a buy-in system which should nevertheless be limited to genuinely risky transactions (and not to all categories of securities settlement as was originally planned).

The scope of the mandatory buy-in regime is crucial for CACEIS and for the whole industry. Consequently, we are pleased to note — through recent informal exchanges — that the European authorities are taking this issue very seriously and consider it a priority. ■

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AST celebrates best in business

In November Asset Servicing Times (AST) hosted its first Industry Excellence Awards. The ceremony took place at The Londoner Hotel, Leicester Square, the newest five star venue in London, which opened on 6th September.

Through this event, AST recognised leaders in innovation and service excellence across the securities service industry, while raising money for Mind Bromley, Lewisham and Greenwich along with a number of children's sports charities.

The Securities Service Advisory Group (TSSAG) joined AST in evaluating entries for the 20 awards categories, providing an independent and objective assessment process to identify industry leaders and areas of outstanding contribution.

Clarke Carlisle, former professional footballer and Mind mental health advocate, presented the awards and delivered a thought-provoking and rousing keynote speech, which rightfully received a standing ovation.

AST was overwhelmed by the generous bids for lots on its silent auction. Although final numbers are not yet confirmed, it is clear that this has been a highly successful charity fundraising event.

The team at AST would like to extend their thanks to Clarke Carlisle, TSSAG, all those in attendance and everyone else who helped to make the night unforgettable, while raising money for such a worthwhile charity.


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INDUSTRY EXCELLENCE AWARDS


Table plan


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TSSAG

"I'm delighted at the response I've had from AST's first Industry Excellence Awards. More than 200 people came together for the event, with networking continuing into the evening. I'm pleased that we've already raised so much money for an excellent charity and astounded at everyone's generosity."

Justin Lawson, publisher, Asset Servicing Times

And the winners are...

European Fund Administrator:	***Northern Trust***
Asia Pacific Fund Administrator:	***BNP Paribas Securities Services***
Americas Fund Administrator:	***CIBC Mellon***
Client Service For Fund Administration:	***Link Group***
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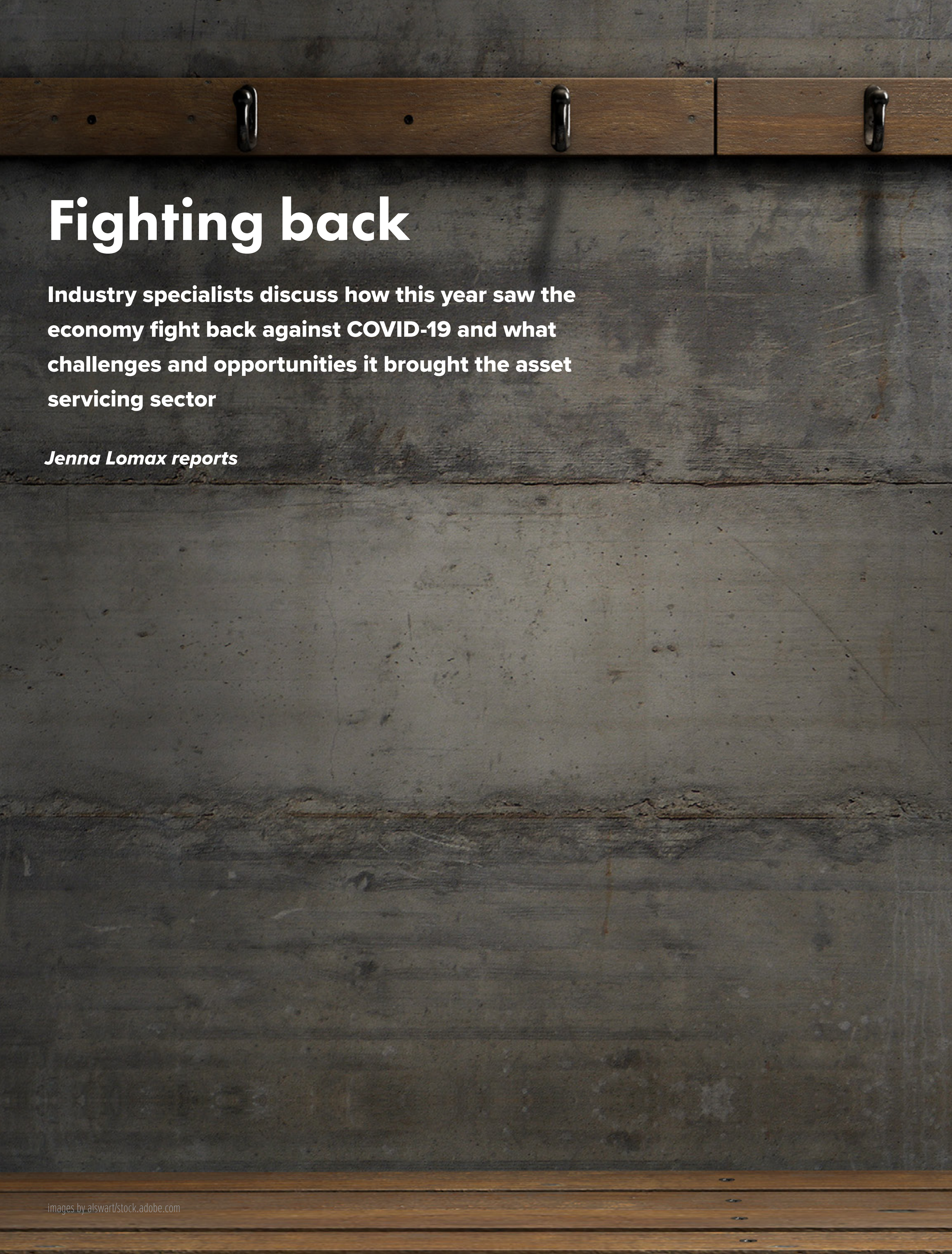
European Custodian:	***BNP Paribas Securities Services***
Americas Custodian:	***BNY Mellon***
Asia Pacific Custodian:	***BNP Paribas Securities Services***
Client Service For Custody:	***CIBC Mellon***
Global Custodian:	***Northern Trust***
Digital Asset Custody Initiative:	***State Street***
Best Asset Servicing Technology Product:	***Calastone***
Asset Servicing Regulatory Solution Of The Year:	***Broadridge***
Outstanding Innovation:	***Goal Group***
ESG Initiative:	***Apex Group***
Equality, Diversity & Inclusion Initiative:	***Women in Asset Servicing***
Network Management Team Of The Year:	***RBC Investor & Treasury Services***
Asset Servicing Rising Star:	***Anshul Rajput, SmartStream***
Lifetime Achievement Award:	***Bill Stone, SS&C Technologies***
Industry Inspiration Award 2021:	***Madeleine Senior, Standard Chartered***

Fighting back

Industry specialists discuss how this year saw the economy fight back against COVID-19 and what challenges and opportunities it brought the asset servicing sector

Jenna Lomax reports



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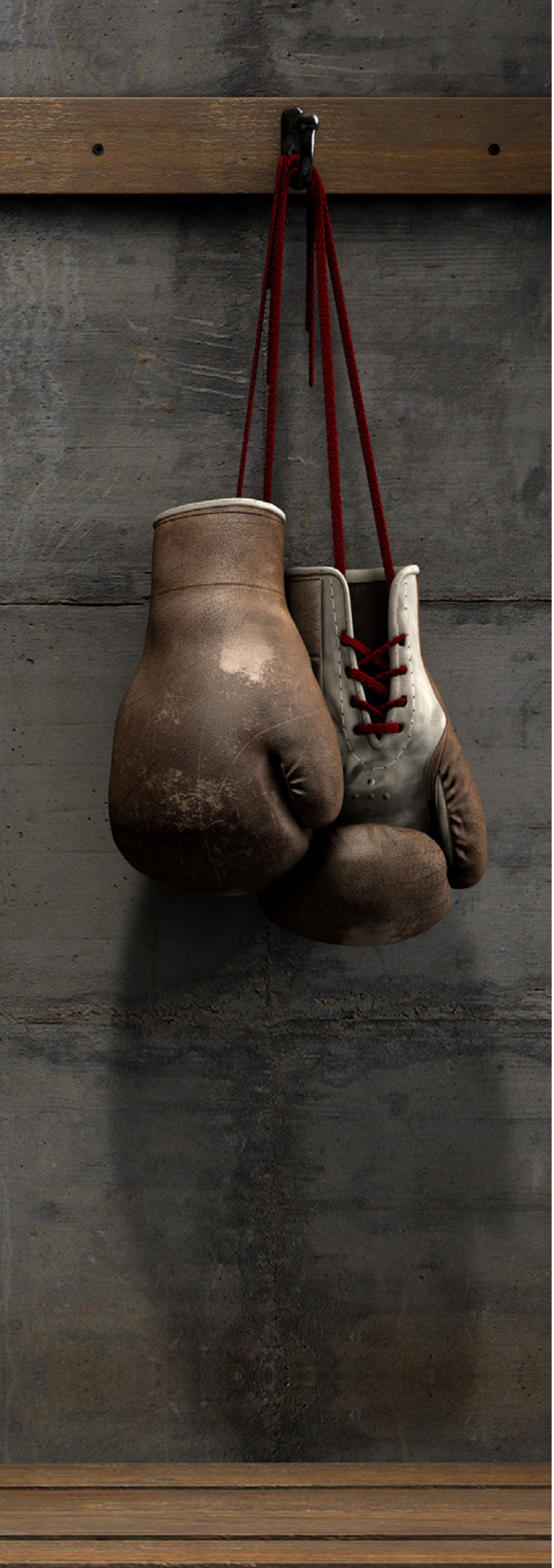

It was a truth universally acknowledged at the end of 2020 that the year 2021 would be a year of economic recovery; a year like no other, certainly in peacetime. If 2020 knocked the world for six, 2021 was the year that scientific endeavour allowed the economy to fight back against the far-reaching effects of the COVID-19 pandemic.

At the stroke of midnight on 31 December 2020, many countries knew they faced a tough few months ahead. However, little by little, the year got back to normal; or at least a "new" normal, for most. Though virtual conferences and hybrid working models are still the reality for many, in-person conferences and returns to the office became more frequent as the year went on, with many willing and ready for the change.

"Virtual platforms have enabled us to achieve resilience and we cannot imagine how difficult it would be to run businesses without them. Certainly over the past few months, Teams and Zoom fatigue has set in," says Mike Hughes, global head of service lines at Ocorian.

"As effective as the virtual platforms are, our teams have shown a desire to come back into the office to collaborate with clients and colleagues in the traditional environment," he adds.

Whether it be the rise in environmental, social and corporate governance (ESG) awareness, investment and initiatives, or the increasing interest in digit assets, there has been much to discuss this year — on a screen or face to face.

ESG: Fighting for our planet

The circumstances thrust upon us in both 2020 and this year have helped springboard the conversations around ESG, whether this be through lessening our carbon footprint via the necessity to stay at home, or the pause for thought that was underpinned by the slowdown in the pace of everyday life.

But even before the pandemic, it was common knowledge the Sustainable Finance Disclosure Regulation (SFDR) regulation, or green taxonomy, would be initiated, and was eventually put into place this March.

"SFDR was one of the biggest regulatory topics of the year," says Jean-Pierre Gomez, head of regulatory and public affairs at Societe Generale Securities Services.

“SFDR was one of the biggest regulatory topics of the year. A lot of time was spent to understand Level 1 in order to comply with the first obligation to classify financial products (including funds)”

“A lot of time was spent to understand Level 1 in order to comply with the first obligation to classify financial products (including funds). Since 10 March 2021, all European funds are classified in three main categories: fully green, lightly green, or not green at all.”

If SFDR created a major green impact for European asset management, calls for international environmental change became deafeningly clamorous in the aftermath of the 2021 United Nations Climate Change Conference, more commonly known as COP26. And with global influence, financial services did not escape, but mostly embraced their responsibility on this front.

“The future of finance is based on what happens now — and firms have an obligation to consider material ESG factors, such as climate change risks and impacts, as part of their investment processes going forward,” affirms Janine Hofer-Wittwer, senior product manager, financial information at SIX.

These investment processes, or at least a move in that common direction, are reflected in the statistics. A recent Broadridge Financial Solutions report has revealed assets in dedicated ESG mutual funds, exchange-traded funds, institutional mandates, and private funds are on track to grow from US$8 trillion today to as much as $30 trillion by 2030.

From a vendor’s perspective, Bhagesh Malde, global head of real assets at SS&C Technologies, says: “Whether ESG reporting, the collection of ESG data or devising an ESG policy, all of these factors will impact investor demand, such as what techniques will be used to manage the process and how quantitative and qualitative data will influence investment decisions. ESG-related data is increasingly ‘table stakes’ rather than ‘nice to have’ to attract investments for large institutional investors.”

Another takeaway from 2021 when regarding the changing attitudes toward ESG and ESG investment is the increased call out of greenwashing, perhaps not a term so widely talked about, even as recently as 2020.

As Jag Alexeyev, head of ESG insights at Broadridge Financial Solutions, outlines: “Greenwashing has emerged as a key reputational risk that firms must address. Improving a manager’s sustainable investment capabilities, enhancing transparency, and amplifying communication of results can help establish credibility and strengthen client relationships.”

Let’s get digital

The acceleration of digital innovation as well as the rise in popularity of digital assets also became big talking points this year. COVID-19, or more rightly, the logistics it necessitated, accelerated the change.

“While digitisation may have been elevated because of the pandemic, we think it is here to stay,” says Jay Peller, head of fund services at Citco Fund Services (USA). “We are in a new working environment whereby many alternative managers have needed to move tasks, such as the initial subscription and capital commitment process, into the digital space — completely removing paper from the process.”

“The pandemic-driven acceleration in the adoption of cloud-based technology has made this year a very significant one indeed,” says Vicky Dean, managing director of Europe, Middle East and Africa at Goal Group. We have seen a marked change in attitude even in areas of asset servicing that are traditionally very reliant on paper. A digital-first approach is now much more common.”

She adds: “The pandemic opened the industry’s eyes to the power of the cloud and removed many barriers to adoption, both physical and cultural.”

Back in September, Association for Financial Markets in Europe (AFME) panellists discussed the developments of the digital asset space at the association's Virtual Post-Trade Conference in September.

Etay Katz, partner at law firm Ashurst, said: "I would like to compliment the bold European initiative on digital assets. It is very ambitious and perhaps precisely the approach that is needed."

One of the most ambitious this year was arguably the consortium of institutions, including Euroclear, which successfully experimented with central bank digital currency 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.

The objective of the experiment was to assess if a wide range of operations and functionalities can be run on a blockchain platform and 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, liquidity optimisation mechanisms such as repo and interest payments.

The initiative also tested whether a blockchain platform could co-exist and interoperate with existing market infrastructure — and the consortium proved it did.

Still standing

As we enter the final weeks of the year, SS&C Technologies' Malde reflects: "From a business plan perspective, 2020 was relatively dry for new launches or investment activity in existing funds. However, I am pleased to report 2021 has seen a flurry of new launches, new strategies."

Ocorian's Hughes cites Preqin figures: "Preqin predicts that 2021 is on track to be a record year for fundraising for Europe-based alternative asset managers, whilst equity and debt capital markets have performed strongly. The alternatives industry continues to experience double digit growth each year and we believe there will be sustained growth in these market segments for at least the next three years."

> ***"The pandemic opened the industry's eyes to the power of the cloud and removed many barriers to adoption, both physical and cultural"***

Citco's Peller expands on the understanding that 2021 has been an outstanding year for alternative assets and the increase in outsourcing has been key to this.

Peller elaborates: "Throughout 2021, COVID-19 has accelerated the trend in the alternatives industry towards outsourcing and, as a result, we saw a big uptick in inflows. At Citco, we saw our assets rise above $1.8 trillion for the first time in our history, and we see no reason for this growth across the sector to slow as we head into 2022."

Ocorian's Hughes closes: "The pandemic has been a truly global test for everyone involved. Yet many markets have outperformed expectations. Despite the headwinds and political turmoil this has been a stellar year for outperformance." ■

Apex Group has appointed Michiel van der Maat as head of corporate solutions, Netherlands.

In this role, van der Maat will be responsible for leading and growing the group's Dutch operations, as well as developing, planning and executing corporate strategies, driving business development and organic growth.

Van der Maat has been promoted from the role of commercial director, corporate solutions, which he has held since joining Apex in June 2021.

He brings more than 15 years of experience in international legal and tax advisory, and corporate solutions, working across the US and the Netherlands.

Prior to joining Apex, van der Maat served at Intertrust Group as director, corporate services in the Netherlands.

Before that, van der Maat led Intertrust's San Francisco operations, having started his career at EY, advising multinationals and private equity firms on international tax structures and cross-border transactions.

Van der Maat will continue to work closely with Apex's existing commercial team in the Netherlands, including Henk Pieter van Asselt, global head of strategic development, corporate solutions, and Joris Groot, Europe, Middle East and Africa, sales.

Commenting on his new role, van der Maat says: "I am excited to take on this new role to lead our Dutch office. With our industry evolving I look forward to building on the momentum of our corporate solutions proposition, further expanding Apex's powerful single-source solution and enabling our clients to simplify their operations, control costs and streamline their growth objectives." ■

Markus Läubli has left Bank Vontobel AG as head of network management after 40 years of service.

Based in Zurich, Läubli has served at Bank Vontobel AG since 1981, becoming head of network management at the company in 2009. Läubli will be replaced by Sacha Iten.

Iten began his career at Bank Vontobel AG in June 2008 as head of execution, foreign equities.

Commenting on Läubli's departure via LinkedIn, Nino Ciganovic, managing director, head of transaction banking at Bank Vontobel AG, says: "Thank you Markus for all the dedication and excellent work over the past years and we will miss you very much in the office. Have a great time enjoying your free time and travels."

Euroclear has appointed Michal Paprocki as chief information officer (CIO).

Based in Brussels, Paprocki will also join the Euroclear group management committee, reporting to Lieve Mostrey, CEO of Euroclear. Paprocki will be responsible for Euroclear's IT transformation which includes continuing to initiate new technologies, integrating the business lines and IT more effectively across the organisation.

Paprocki was previously acting CIO at Euroclear alongside Marc De Rycke. Before that, he served as chief technology officer (CTO) at the company for three years.

Prior to joining Euroclear in 2018, Paprocki was CEO of ING Tech Poland where he was responsible for the ING's IT technology hub, managing full global IT delivery.


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Ocorian has appointed Michelle Merola as business development director, where she will be responsible for accelerating the growth and delivery of the financial services group's employee incentive services.

The group's employee incentive team provides advisory, administration and legal services for a range of employee benefit programmes, including joint ownership equity plans, long-term incentive plans, company share options plans, management incentive plans and corporate and employee nominee services. Ocorian administers these tailored solutions in employee participation of Financial Times Stock Exchange- and Alternative Investment Market-listed companies, multinational corporations, financial institutions, and smaller private equity-backed companies.

In her new role, Merola will work closely with these existing employee incentive plan clients to provide service excellence and proactively develop Ocorian's private equity client base, as well as extend the firm's scope of influence with private companies concerning employee benefit trusts.

Merola previously served as lead business development manager for new business at YBS Share Plans and compensation specialist at Standard Chartered Bank.

Commenting on the appointment, Brendan Dowling, head of employee incentive services at Ocorian, says: "We are delighted to have Michelle onboard to further develop our employee share trust and share plan administration services."

"Such a senior appointment reflects our ongoing commitment to delivering service excellence to our existing clients and in continuing the significant growth we have seen in this area in recent years. We are extremely pleased to welcome Michelle to the Ocorian team."

Merola adds: "I am thrilled to be joining a team that is often cited for its consistency and reputation within the employee incentive scheme space and boasts a large portfolio of impressive client companies."

Commenting on his new appointment via LinkedIn, Paprocki says: "The last three years as group CTO was hard work but equally fulfilling since we are becoming more and more a technology-driven company. That is why I am honoured to start a new role as group CIO and group management committee member."

Goal Group has appointed Admir Harambasic as client services manager for Asia Pacific.

Based in Melbourne, Australia, Harambasic will be responsible for enhancing client service standards and fostering long-term business relationships.

Harambasic has six years' experience in client service having previously served at Vanguard.

At Vanguard, Harambasic was most recently senior associate for reconciliations, a role he began in September 2017.

Prior to this Harambasic was associate for reconciliations at Vanguard from April to August 2017.

He began his tenure with the company as client services associate in April 2015. ■