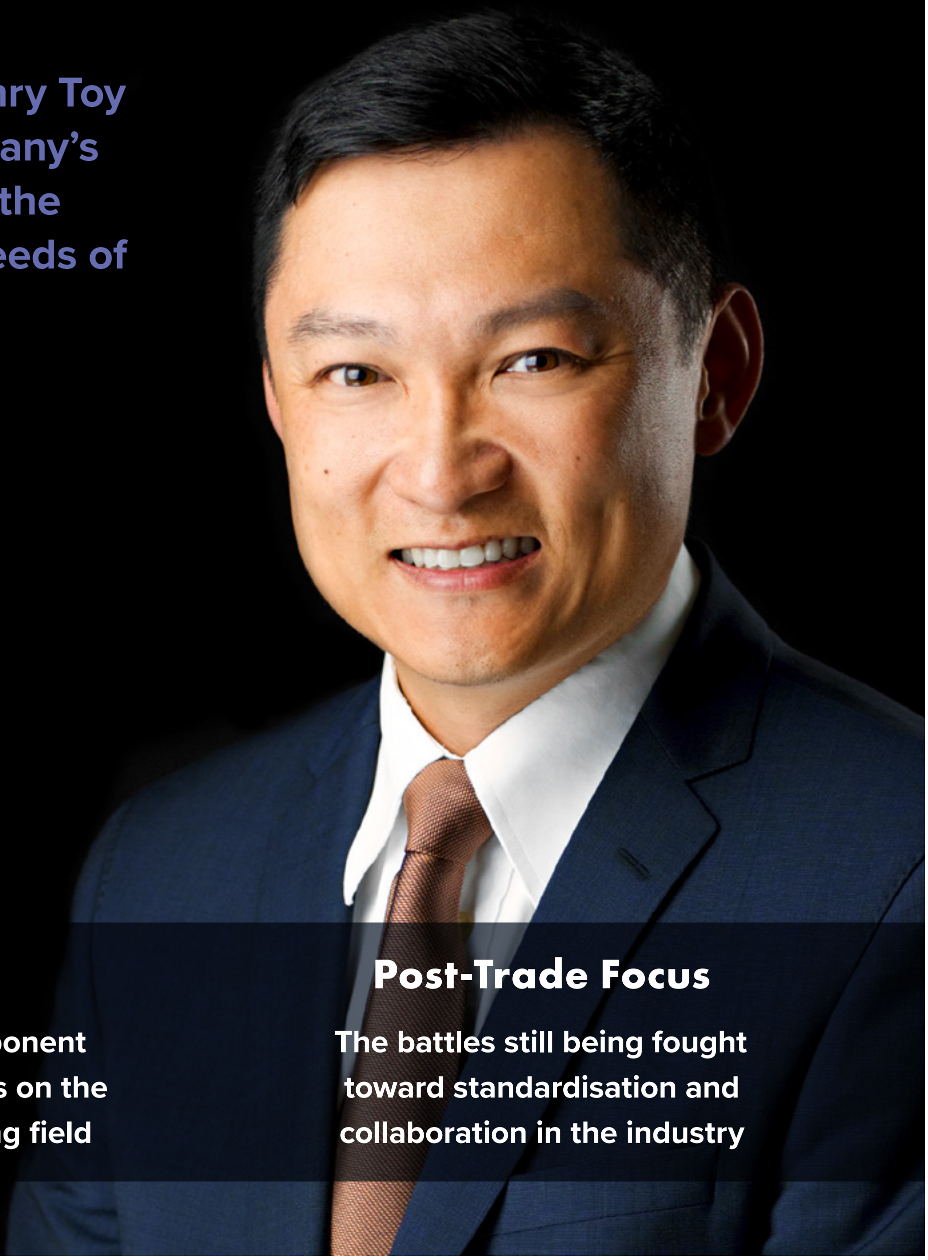
asset servicing times

The primary source of global asset servicing news and analysis

ISSUE 283 02 February 2022

Expanding the pipeline

SS&C Canada's Henry Toy discusses the company's plans for 2022 and the changing service needs of fund administrators



CSDR

The buy-in component and what it means on the regulatory playing field

Post-Trade Focus

The battles still being fought toward standardisation and collaboration in the industry

Industry trio complete tested integration of wholesale CBDC settlement with commercial banks

The Bank of International Settlements (BIS), Swiss National Bank (SNB) and SIX Swiss Exchange (SIX) have successfully completed the second phase of Project Helvetia — a tested integration of wholesale central bank digital currency (CBDC) settlement with commercial banks.

Phase II continues the exploration of tokenised asset settlement in wholesale CBDC that was started by Project Helvetia Phase I in 2020. The project looks toward a future in which more financial assets are tokenised and financial infrastructures run on distributed ledger technology (DLT).

Project Helvetia's recently completed second phase explored the settlement of interbank, monetary policy and cross-border transactions on the test systems of SIX Digital Exchange (SDX), the Swiss real-time gross settlement system — SIX Interbank Clearing — and core banking systems.

The experiment, carried out during the fourth quarter of 2021, also included five commercial banks: Citi, Credit Suisse, Goldman Sachs, Hypothekarbank Lenzburg and UBS.

In the first phase of Project Helvetia, BIS Innovation Hub Swiss Centre, SIX and the SNB explored different ways of settling tokenised assets with central bank money in the test environment of the SDX platform.

Phase I and Phase II show that both methods to settle tokenised assets in central bank money are feasible and legally effective under Swiss law.

While none of the existing DLT-based platforms are systemic yet, they may become so in the future, meaning that central banks may need to extend monetary policy implementation to tokenised asset markets, says BIS, SNB and SIX.

As an experiment, Project Helvetia is of an exploratory nature and should not be interpreted as an indication that the SNB plans to issue a wholesale CBDC, the national bank adds. ■

asset servicing times

Group Editor: Bob Currie
bobcurrie@blackknightmedialtd.com
+44 (0) 208 075 0928

Senior Reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)208 075 0936

Reporter: Rebecca Delaney
rebeccadelaney@blackknightmedialtd.com

Reporter: Carmella Haswell
carmellahaswell@securitiesfinancetimes.com

Lead Designer: James Hickman
jameshickman@blackknightmedialtd.com

Associate Publisher: John Savage
johnsavage@assetservicingtimes.com
+44 (0) 208 075 0931

Publisher: Justin Lawson
justinlawson@blackknightmedialtd.com
+44 (0)208 075 0929

Published by Black Knight Media Ltd

Contents

Emso Asset Management goes live with SS&C's treasury management platform

Fixed income asset manager Emso Asset Management has gone live on SS&C's new Treasury Management Platform. The SS&C Treasury Management Platform provides technology to unify front- and middle-office treasury workflows and helps clients make real-time cash and treasury management decisions. Using SS&C's Treasury Management Platform, Emso can monitor the daily cash balances of funds and accounts, while ensuring unencumbered cash is managed in real-time. The platform also enables Emso to forecast cash flows by the fund, custodian, currency or additional attributes based on future trading activity.

Gareth Jamieson, treasury manager at Emso Asset Management, says: "SS&C's Treasury Management Platform simplifies and optimises the operational side of cash management, so we can focus on alpha opportunities and maximising returns for our clients."

He adds: "Strong data analysis and ease of use within the tool allows Emso to monitor cash balances in real-time, allowing our portfolio managers to have more confidence in available liquidity."

Jon Anderson, head of middle-office solutions at SS&C Technologies, comments: "We are pleased to expand our relationship with Emso Asset Management and to help them enhance their treasury management. SS&C's latest technology reimagines the treasury process on a single, flexible and scalable platform empowering our clients with more efficient, timely and accurate information to manage their portfolios." ■

Broadridge introduces new vote execution service into the Spanish market for SRD II compliance

Broadridge Financial Solutions has launched its vote execution service into the Spanish market, in an effort to assist all Spanish financial intermediaries with their Shareholder Rights Directive II (SRD II) compliance.

The service, delivered in collaboration with Spanish bank Santander Investment S.A, provides an automated solution with market-wide coverage to improve market error rates, expand voting windows and facilitate vote confirmations.

The launch of the service in Spain is the latest extension to Broadridge's Direct Market Solutions (DMS) product suite, which focuses on streamlining traditional voting processes by directly connecting investors and issuers.

The solution, which complements Broadridge's existing leading global voting solutions, will enable custody banks, brokers and wealth managers operating

Linedata opens new office in Charlotte, North Carolina

Linedata has opened a new office in Charlotte, North Carolina to expand its footprint in North America. With the addition of this local site, Linedata aims to provide a range of services across all its business lines, including global services, asset management, and lending and leasing. Located in the financial hub of Charlotte, the new office location benefits from necessary infrastructure and resources, including renowned finance and IT universities, Linedata says. Linedata will look to leverage local talent in Charlotte and surrounding areas, ranging from fund accountants, IT engineers and product developers. The opening of the Charlotte office is the continuity of Linedata's international development.

Linedata is planning to further expand throughout the American continent as part of a wider effort to provide innovative solutions to the worldwide investment management and credit community.

Linedata has been serving customers in North America since 2001 with offices on the US east coast, which includes New York, Boston, and Toronto, and on the west coast in Seattle.

Gary Brackenridge, head of strategy, Linedata Asset Management, says: "Over the last 20 years, we have continuously expanded our footprint to offer customised solutions and services combining our financial and technology expertise. As we look to accelerate our growth, providing optionality to the clients based on customer preferences on delivery location/mix and broader access to the limited talent pool is an important strategic priority for Linedata." ■

in Spain to enhance their service offering to their underlying clients, while reducing their operating costs and negating the need for major integration or change of operating models.

Broadridge recently announced its expanded coverage for proxy processing and extended voting windows for 20 sub-custody markets in 2021, with more markets to follow in 2022 and 2023.

Luis Antonio Pérez, executive director of corporate trust services, Santander Investment, says: "Our collaboration with Broadridge will transform the voting process for the Spanish market through a more direct end-to-end chain of communications between issuers and investors. By removing avoidable steps from the overall lifecycle, the proxy process will become more efficient and less prone to the risks associated with multiple breakpoints."

Demi Derem, general manager of international investor communication solutions at Broadridge, comments: "We are delighted to be partnering with Santander in this innovative market solution designed to

Colorado's Paralel Technologies chooses Confluence for reporting services

Paralel Technologies (Paralel), a Colorado-based fintech firm, has selected Confluence for its regulatory and reporting compliance. As part of the mandate, Paralel will utilise Confluence's Unity NXT Regulatory Reporting solution as well as its Unity Financial Reporting product. With Confluence's Unity NXT solution, Paralel will be able to streamline its processes and reduce risk in a controlled system that facilitates reviews and standardisation. Unity NXT Regulatory Reporting is designed to ease data management challenges and automate the filing processes for global regulatory reporting obligations.

Confluence's Unity Financial Reporting product produces annual reports and can be used in collaboration with Unity Performance to produce daily funds performance reports for clients.

Tom Pfister, vice president of global product strategy at Confluence, comments: "As the fund services industry continues to head in the direction of full-service offerings, it is particularly exciting to work with innovators like Paralel, a new breed of third-party administrator that is committed to helping clients address challenges and enhance the services they provide to the end investor."

Jeremy May, founder and CEO of Paralel, says: "Having worked successfully with Confluence in the past, I knew about the company's streamlined and efficient processes when it comes to its back office product offerings. We are thrilled that we partnered with Confluence for our company launch and look forward to continuing to work with them as we deliver disruptive and cutting-edge solutions to asset managers." ■

improve efficiency and deliver the highest standards of corporate governance in Spain. This is the latest in our ongoing series of local market innovations that focus on industry leading partnerships aimed at improving the overall voting ecosystem."

Apex launches the Women's Accelerator Program

Apex Group has launched the Women's Accelerator Program, a development initiative designed to drive equity for female progression and diversity at all levels within the group.

This scheme focuses on elevating female talent and will provide programme members with the tools and skills to advance professionally and reach their full potential, says Apex

The Women's Accelerator Program aims to accelerate the progress of high-performing female talent through the business — eroding the gender disparity at mid- and senior-management levels to provide a clear path for career progression.


Fails & Fees Management, simplified.
Whether your challenge is improving settlement fails, addressing new CSDR penalties, or overall fees management, we deliver intelligent operations solutions that are trusted by leading global financial institutions.
With 20 years' experience in managing complex workflows, calculations and new data sets, we simplify your settlement, billing and invoicing activities, and fully automate CSDR processes.
Discover the value Meritsoft can bring to your team.
capitalmarkets@meritsoft.com
meritsoft.com
Meritsoft
A COGNIZANT COMPANY

Members will be offered access to monthly closed-room roundtables and community forum, invitations to hear and learn from female speakers, networking and mentoring opportunities, additional tailored training and development courses.

Women make up around 52 per cent of the workforce across the financial services industry, but that percentage declines at each rung of the career ladder, resulting in representation of 37 per cent at mid-management, and just 16 per cent holding high-ranking executive titles, Apex claims.

By sharing experiences with a community of peers, individuals will build a better understanding of their strengths and weaknesses, helping them to develop and evolve as professionals, says Apex.

Rosie Guest, chief marketing officer and executive committee programme sponsor, comments: “This is a programme we are really proud of and is completely necessary. Women are still underrepresented at management and senior leadership levels within financial services and although this is not an issue unique to our business, it is important to us that we lead the charge in driving positive change.”

She adds: “The programme is not about quotas, or promoting women over men, it is about nurturing our existing female talent and driving equity in progression.”

Euroclear and Serbian policymakers in talks to create Euroclearable market link

Euroclear and Serbia’s Ministry of Finance are in talks to establish the appropriate market conditions for the creation of a Euroclearable market link.

The Serbian Ministry of Finance and the Belgium-based international central securities depository have signed a term sheet that maps out the specific requirements needed to launch this link, which will expedite international investment into the Serbian bond market, providing efficient currency sovereign debt issuance.

IHS Markit partners with METACO to manage digital assets alongside traditional assets

IHS Markit has partnered with METACO, a provider of security software, to provide a single multi-asset platform for financial institutions to manage digital assets alongside traditional assets. As part of the mandate, IHS Markit's Securities Processing solution will be integrated with METACO Harmonize, a secure digital asset solution that secures, automates and standardises trades, settlements and corporate actions lifecycles. The IHS Markit Securities Processing solution enables clients to replace multiple applications and discrete processes with a cloud platform and integrated post-trade framework, while METACO Harmonize enables institutions to securely manage any end-to-end digital asset use cases — from cryptocurrency custody and trading to tokenisation, smart contract management and decentralised finance.

The two solutions will work together with assistance from IHS Markit's Integrated Message Bridge (IMB).

As the institutional adoption of digital assets accelerates, banks and financial institutions are hindered by the lack of available institutional-grade infrastructure to fit their needs, says IHS Markit. As the digital asset industry matures, most organisations require optionality to reduce the risk of third-party dependency, seeking to work with multiple vaults, sub-custodians, and liquidity providers, it adds.

METACO Harmonize is designed to transform the complexity of working with multiple self-custody providers, custodians, and other solutions into an end-to-end secure stack with full distribution of all processes to mitigate points of failure.

Ankush Zutshi, vice president, corporate actions and securities processing, IHS Markit, says: "We are excited to partner with METACO to provide a unified, integrated solution for the secure orchestration of digital asset workflows and the safekeeping of digital assets along with traditional."

Seamus Donoghue, vice president of strategic alliances at METACO, comments: "METACO Harmonize, our digital asset orchestration platform, is a unique offering that ensures end-to-end security with no single point of failure across all digital asset processes."

He adds: "Our partnership with IHS Markit integrates their market-leading post-trade securities processing capabilities to provide firms with the highest level of security while delivering the flexibility and agility they need to successfully operate at scale and with agility in the rapidly growing digital asset industry." ■

The Euroclearable link will allow foreign investors to access the Serbian domestic market in a more secure and standardised way, resulting in a lower cost of borrowing, increased liquidity and greater market stability, says Euroclear.

Sinisa Mali, Serbia's Minister of Finance, says: "Connecting to the Euroclear platform will facilitate new investment in government securities issued in local currency. It will also have a positive effect on the further development of money and capital markets in Serbia, and will lead to a reduction in financing costs."

He adds: "On top of facilitating new investments, it will also attract a completely new profile of investors to the Serbian market. In December 2021, a new, systematic law on the capital markets was adopted, which should contribute to the creation of a more transparent and secure market."

Sudip Chatterjee, head of global capital markets, Euroclear, comments: "We are extremely pleased to move into this next phase with the Serbian Ministry of Finance in our journey to make the market Euroclearable. By working together to bring resilience and international standards to the Serbian capital market, we will be able to deliver improved liquidity, cost efficiencies and international investment."

Volante Technologies partners with SaaS banking platform Mambu

SaaS banking platform Mambu has partnered with Volante Technologies to help banks and lenders modernise their banking and payment infrastructures without needing to rip and replace legacy systems. The partnership will enable customers to quickly launch new solutions with different payments capabilities such as the US network, Automated Clearing House, single euro payments area, as well as wire, real-time and cross border payments.

The integration allows customers to implement payment functionalities faster than traditional vendors and provides richer experiences with more flexible payment options for consumers and businesses, according to Volante.

As a global provider of cloud payments and financial messaging solutions, Volante Technologies serves more than 100 banks, financial institutions, market infrastructures, clearing houses, and corporate treasuries across 35 countries.

Commenting on the partnership, Kevin Trilli, chief product officer at Mambu, says: "The partnership boosts digital banking and payment functionalities that help orchestrate state-of-the-art solutions across all banking channels."

He adds: "The platform was possible because of a shared philosophy that a modern, low-code cloud architecture allows for scalability, cost-saving and agility. This will drive change and is an important step in making payments processing simpler and more accessible."

John Farrell, senior vice president of global product management, Volante Technologies, comments: "Volante and Mambu are creating a powerful BaaS platform. We believe this synergy, combined with our strong affinity in culture, values and style, will drive tight collaboration and co-innovation for the benefit of our joint customers." ■

SmartStream Air updated to include enhanced exceptions management

SmartStream Technologies' Air, an artificial intelligence (AI) data reconciliations solution, has been updated to include enhanced exceptions management capabilities and attribute-by-attribute matching.

The latest version (Version 6) provides users with increased automation of exception management in the cloud.

By adding these updates, SmartStream aims to simplify the reporting process with higher levels of automation for attribute-by-attribute matching — allowing clients to validate data integrity across all shared fields.

SmartStream Air's AI capabilities manage discrepancies during the reconciliations process by creating exception cases — where clients can track the status of exceptions, assign the cases to relevant teams or users, and add any supporting comments or attachments.

Air Version 6 enables clients to validate data integrity across a number of fields, particularly for reference data, regulatory and intersystem reconciliations. This enhancement will help to build a strong data governance framework to ensure data quality, completeness and accuracy of reporting, the global vendor says.

SmartStream adds it will continue to develop the Air solution to support limitless data types as data management and regulatory reporting become ever more relevant for a number of provisions under the second Markets in Financial Instruments Directive.

Andreas Burner, chief information officer at SmartStream, comments: "In this latest release we recognised that organisations need to modernise their operational blueprint and use the latest AI technologies to evolve their data strategies to better support the changing business needs." ■

images by 300_librarians/stock.adobe.com

Henry Toy
Managing director
SS&C Canada

Expanding the pipeline

Henry Toy, managing director of SS&C Canada, talks to Jenna Lomax about what the technology giant has in store for 2022 and why increasing numbers of Canadian and international fund administrators are looking to SS&C Canada to manage their outsourcing needs

How did SS&C Canada's business and operation models fare day-to-day last year, with the backdrop of the ongoing COVID-19 pandemic?

2021 was a successful year for our Canadian business, despite the ongoing pandemic. It has been pretty much business as usual throughout the last two years.

I would say that we were very well equipped when the unprecedented pandemic hit.

Part of our business model in Canada and globally has been to prepare business continuity plans; many of our staff already had the ability to work from home anyway. So it was a very smooth transition to that model, because we had done that before, and have been doing so for the best part of two years now.

Last year, SeaFort Capital, a Nova Scotia-based private equity firm, selected SS&C's Technology Holdings fund administration solution to support its fund operations.

Since the announcement, the mandate has received support through continued fundraising and the finalising of the investor commitments, as well as the fund launching.

In addition to SeaFort, SS&C onboarded numerous other private equity funds, including supporting the launch of Maverix Private Equity.

Maverix uses SS&C GlobeOp's full suite of private capital fund services to support the Maverix Growth Equity Fund, including its fund accounting, investor services, reporting and data analytics. Our Toronto team oversees services for the fund.

How do SS&C's fund administration offerings differ to others — especially in the Canadian market?

Within the Canadian market, SS&C offers a lot of expertise across both the limited partners and general partners space, in addition to unitised funds; we are equally as strong servicing those types of structures, whether they are just Canadian-domiciled, or in an international domicile.

Our presence and experience in Canada has helped us to support most types of managers, whether they are new managers, existing managers, or managers with more niche needs.

Canada is not at the same acceptance level for fund administration outsourcing for private equity or venture capital funds as the European market, or the US market even, but I am certain it is going to catch up.

It is at the forefront of most Canadian managers' minds to consider outsourcing, particularly when they may not have previously done so in the past, and it is on everyone's radar to think about finding the right match for their fund needs.

What requests have been made by your clients in recent months, in terms of reconciliation software?

There is more of a focus on the private equity managers; more frequently, managers are asking us to be able to consume and maintain unstructured data — consume it and then reconcile it. This data goes beyond the traditional accounting type of data.

Managers get information from their investments which usually comes in what can be described as non-standard forms.

We have been able to utilise artificial intelligence (AI) technologies to help support consuming and normalising that data efficiently and accurately, whether it comes in a PDF format, Word document, or an email. All of those formats we can work into our systems.

Industry-wide, the use of AI technology is picking up momentum in its adoption which helps streamline a lot of our processes.

In turn, it helps our clients with timely turnaround and accuracy of said turnaround.

SS&C has a strong presence in the post-trade space. What developments has SS&C Canada been working on in post-trade through 2021?

We maintain our own systems and our own technology platforms, which allows us to constantly and annually upgrade our technologies to support our clients as different needs come about — particularly regulatory-type needs where additional regulatory reporting requirements come into play.

We have designed our platforms to specifically help support those clients.

From your experience, what have been the toughest hurdles, or opportunities, your clients have encountered in the regulation space this year — from both a Canadian and US perspective?

From a regulatory perspective, being able to support fund structures that have competing reporting requirements.

For example, Canadian and US tax have different tax compliance reporting methodologies that have increased complexities and opportunities for our clients. This challenges us at SS&C to be able to support their needs and support them cost effectively.

Our ability to support that seamlessly has been a challenge, but we have been able to support our clients.

Outside of Canada and the US we have clients that are in jurisdictions that have their own nuances that we are also able to support.

What can we expect from SS&C Canada in 2022?

In 2022 we will be absorbing and expanding our pipeline, making sure it is still very active with managers that are looking to expand their business. There may be others out there who want to outsource their business but may not have been outsourcing to date.

During the first few months of 2022 in particular, we will be very active in Canada! ■

Play suspended?

Brian Bollen asks industry experts their thoughts on the delayed implementation of CSDR's buy-in rules and the best game plan to bring to the regulatory playing field

The implementation of the settlement discipline regime — or to be more exact the settlement failure penalty element of the regime — marks another essential stage in the evolution of the Central Securities Depositories Regulation (CSDR). Since its introduction in 2014 as part of the EU regulatory overhaul carried out in response to the global financial crisis, CSDR has become an accepted part of the financial industry's plumbing and wiring, even if some of the acceptance has been grudging rather than overwhelmingly enthusiastic.

Its main objective, should any readers need reminding, is to increase the safety and efficiency of securities settlement and settlement infrastructures in the EU by providing, among others, the following: shorter settlement periods; settlement discipline measures (mandatory cash penalties and 'buy-ins' for settlement fails, settlement fails reporting); an obligation regarding dematerialisation for most securities; strict prudential and conduct of business rules for central securities depositories (CSDs); strict access rights to CSD services; and increased prudential and supervisory requirements for CSDs and other institutions providing banking services ancillary to securities settlement.

As Daniel Carpenter, head of regulation at Meritsoft, a Cognizant company, outlines: "CSDR was introduced to improve best practice in the industry. If you sell to me and fail to deliver, I will charge you interest, but if you are one of the big houses, I might decide not to. Under the new settlement discipline regime, if you fail to deliver you will be charged a penalty. You will be billed and the other party to the transaction will be credited with the proceeds. This removes the arbitrary nature of the previous approach."

For the record, the revised regime imposes penalties for late matching and settlement, which will be payable by the defaulting party to the offended party, notes Pardeep Cassells, head of financial products at AccessFintech.

"Its success will be driven by how well the penalty regime will operate," adds Paul Baybutt, UK-based senior product manager, global middle-office, for securities services at HSBC. "It will definitely do that if the cost of borrowing is lower than the cost of penalties; market participants will want to borrow stock in order to deliver on their commitments."

The requirement for mandatory buy-ins, which were also scheduled to begin from 1 February, have now been postponed — they remain a dominant topic. The eventual timing of the arrival of mandatory buy-ins remains, in the best tradition of all outlooks, uncertain. Even the use

> "The cash penalty regime is founded upon a complex data set and yet there is not a golden source for the CSDs, market participants and vendors to build their response on. Clear guidance and transparency are key to ensuring all parties are aligned as we progress through the coming months."
>
> ***Emma Johnson***
> ***Executive director, custody industry development***
> ***J.P. Morgan***

of the word 'postponement' upsets some self-confessed pedants. At least one person spoken to in the underlying research for this article suggests that 'cancellation' might be a more appropriate and more accurate word to deploy. While we prepare to ponder that possibility, let us recall that the European Securities and Markets Authority (ESMA) released on 17 December 2021 what it described as a long-awaited public statement confirming the postponement of the mandatory buy-in component of CSDR.

The European securities market regulator indicated that it had sent a letter to the European Commission calling for an "urgent change" in CSDR to allow the application date of the buy-in regime to be postponed from its proposed 1 February 2022 implementation. Copies of this letter were also sent to the European Parliament and Council. ESMA said this highlighted the difficulties faced by market participants in adapting to implementation of the buy-in regime on this date. It noted that other elements of the CSDR settlement discipline regime, specifically the introduction of cash penalties and settlement fails reporting, would proceed on the 1 February 2022 live date as planned.

The co-legislators have now agreed to decouple the date of application for the buy-in regime from that for cash penalties and fails reporting. This will enable ESMA to establish draft technical standards proposing the delay of the buy-in component. With this development, ESMA indicates that it does not expect national competent authorities to prioritise supervisory actions relating to the CSDR buy-in regime — recognising a need to minimise costs to market participants involved in making changes to their systems and processes and then needing to revise these at a later date, in line with subsequent amendments to the buy-in regime. The industry has broadly welcomed the postponement, says HSBC's Baybutt: "We simply did not have enough clarity, meaning mandatory buy-ins would have been a challenge. Some firms had a reason to want implementation now, others not." One example that some in the industry identify as a shortcoming in the wording of the legislation is the lack of a definition of a buying agent.

Readers of a cynical mind might suggest that the EU's much-vaunted attempts to level the legendary playing field have in fact littered this playing field with a proliferation of molehills, leaving even practised market participants scratching their head in something approaching complete and utter bewilderment. It certainly does not help matters that even before CSDR has been fully implemented, a revision of the regulations will begin in April in line with the refit methodology of adjusting and correcting. This will, however, be a lean review, suggests Ilse Peeters, head of regulatory affairs at Euroclear. "Some of the rules were arguably inadequate to begin with as they created unhelpful barriers, so there seems to be broad agreement on the need to change them," she says.

Some countries lag behind others in transposing EU directives into their national law. "To harmonise implementation you need full

> "The scale of this challenge has always been evident. In that vein, it will be very difficult for all market participants to achieve 100 per cent efficiency on settlement date. In addition, there is a large divergence between asset classes' efficiency rates, driven by the trading liquidity. The industry expectation is that all of these crucial elements need to be defined (or refined) in the CSDR refit process, and more data driven analysis is required. If all goes well, that should negate the need for any mandatory buy-in regime, but may require other discipline measures to be calibrated in time."
>
> ***Alex Dockx***
> ***Global head of custody industry development***
> ***J.P. Morgan***

harmonisation of CSDs and I advise all newcomers to this sector that one quality they will need in abundance is patience, with a capital P," says Peeters. "The good news is, though, that many of the Giovannini barriers to harmonisation have been dealt with, and while we do not have the power to change national laws, CSDs have in fact already gone a long way towards harmonisation," she adds.

Amid the confusion, claim and counter-claim, no necks are being stuck out in terms of predicting the likely timing of mandatory buy-in implementation. "If the planned review of CSDR begins in April, it will likely take quite a bit of time before agreement is reached," observes Euroclear's Peeters.

In the meantime, the market is increasingly ready to cope with the new demands being imposed upon it. "The middle-office is ready for penalties, thanks to greater clarity in this area," says HSBC's Baybutt. "We are in a far better place in this regard and have the means to capture and report data."

Though AccessFintech's Cassells says, that concerns persist about the communication of data which is provided by CSDs. "We have seen duplication and straightforward miscalculation," she comments.

"There is a lack of consistency and clarity at global custodians and prime brokers on how they will communicate underlying information to their clients. Once penalties become a reality and start hitting home, we will see a change in focus and a flurry of activity as organisations put mechanisms in place to help manage the process."

An unspoken additional message is that companies affected do not necessarily have to build their own in-house solutions, or do manual processing. They all have the option of turning to an external provider to gain access to the required technology.

The state of readiness is partly dictated by size, Meritsoft's Carpenter comments. "Three years or so ago, we spoke to a number of the bigger players in the industry about the options available. Some have opted to look after their own requirements, others have decided to outsource the work to us. An audience poll in November 2021 during the All Settled for CSDR panel discussion (organised by Asset Servicing Times' sister magazine Securities Finance Times) showed that only 15 per cent of those polled believed the market would be ready. Some said that it did not affect them, and small players might eventually decide to tend to the process manually." ■

More than marching on

How many more battles still need to be fought against legacy systems and other external factors before the industry reaches an amicable point of standardisation and collaboration within the landscape of a digitally transforming, post-pandemic world?

Jenna Lomax reports


images by havana1234/stock.adobe.com

If the battle to update post-trade systems were to be loosely synonymous with any movie blockbusters, it could be the World War One epic, 1917. The way the film is shot, in one long, intense 117 minute sequence — following two soldiers' exhaustive secret mission through enemy territory while up against the clock — liberally mirrors the industry's journey to tackle out-of-date legacy systems amid the backdrop of cost-heavy minefields and regulatory deadlines. Like the film's two protagonists who showed resilience and faith in each other, global markets' resilience and robustness have shone through in the form of higher transactional volumes and levels of domestic and international inflows, in spite of (and also because of) acute moments of global volatility, especially during 2020. Banks, custodians and the like are not facing anything as drastic as a war, of course, but what may have felt like a long, intense ongoing battle against an abundance of regulatory hurdles, all the while implementing often impractical but necessary COVID-19-secure workplace logistics over the course of the last two years.

When we look to the history books, most periods of volatility are followed by some form of pact or new world order, even if in retrospect they come to be seen as makeshift or they merely paper over the cracks — the Treaty of Versailles, the armistice which officially ended the First World War (in which 1917 is set) is a good example of this. Many historians say it paved the disastrous road toward the Second World War that began less than two decades later. Of course, banks and custodians are unlikely to receive their own form of new world order overnight, particularly when it comes to standardising and updating post-trade processes — nonetheless, mandates, roadmaps and pacts are always being made in an effort to step closer to this goal. T+1 could be considered the metaphorical medical corp behind a market participant's ongoing frontline battle to lower the risks through shortened settlement times, at least. The months and years ahead may see market participants reach a standardised agreement that does even more than what T+1, or even T+0, is setting out to achieve, but they will all need the right resources to achieve this — which may take considerable time.

Gathering the intelligence

We know that banks and custodians, as well as central securities depositories (CSDs), braced themselves for the unknown in 2020. The COVID-19 pandemic — its awfulness and very human element aside — forced the industry into a resilience that had never been needed before, particularly when it came to managing higher transactional volumes in post-trade. This gave way to a new-found nature of resilience that the industry knows it needs to increase in the years ahead.

"There is a general feeling that the systems that support higher levels of transaction volume have to continue to evolve to meet future needs, and account for potential disruptions," deems Caroline Butler, global head of custody at BNY Mellon Asset Servicing.

Expanding on this, Ryan Marsh, global head of distributed ledger technology and digital innovation, Securities Services, Citi, comments: "Many industry participants were able to pivot quickly to more digital or automated solutions, however in many cases these alternatives have been temporary in nature. It is important that the industry focuses on remaining paper-based processes and seek to eradicate them where possible."

One gaping industry wound that often leaves financial services limping behind other sectors in its streamlining and advancement is not the use of data, broadly speaking, but the irrelevance of said data, and the slow speed of its delivery, particularly to areas along the settlement chain. In 1917, the right intelligence, and the speed at which it was given by Lance Corporal Will Schofield, managed to halt a large-scale battle. For financial services, of course, data needs to be made readily available and also easy to access for settlement and transaction completion.

"It is important that the industry as a whole finds better ways to share transaction data along the settlement chain. If better quality data is shared faster, then it can improve the ability to deal with problems and enable better decision making," says Citi's Marsh. "It is also important that market infrastructure and industry participants invest in technologies if they have not already done so that can support real-time processing of data and move away from batch processing that has been so prevalent in the past."

Preparing the reserves

It is moving away from these outdated practices, such as batch processing, that will increase the efficiency of post-trade processes and, in most cases, bring them closer to real-time, which by their nature are two factors that will help the industry take a step closer to post-trade standardisation. Though the benefits may not be seen in the short-term, due to initial costs of necessary updates, the end should justify the means.

Brian Collings, CEO of Torstone Technology, says: "Real-time processing is key to matching the shorter settlement cycle and many back-office systems will struggle to deliver that, as they still run on a batch basis. Every part of the workflow needs to be more efficient, and any batch processes will impede efficiency."

He adds: "The costs will outweigh the benefits if firms are not on modern technology because legacy systems will carry an outsize total cost of ownership."

However, in recent years, the term "artificial intelligence (AI)" has often been thrown around and overused as a blanket solution for pushes towards digitalisation that are in some cases not even necessary. There are some areas, albeit minimal, that still need manual or human intervention.

As Jeremy Dobrick, chief information officer and head of operations at BNY Mellon Asset Servicing, highlights: "There are still a few processes that require us to apostille a document, or apply a wet ink signature."

Though he adds: "The key for the industry is making new [automated] practices the norm and not regressing back to paper-based processes following a broader return to office globally."

To help streamline post-trade processing post-pandemic, machine learning (ML) may well be the better resource ready and waiting in reserve, instead of AI which has for many years caused a quaking in some pairs of boots, with its connotations of employee replacement — a potential move to a method of change that has, very understandably, been met with both suspicion and defense in some places.

BNY Mellon's Dobrick says: "We are seeing early success with AI. However, there is a growing consensus that replacing people entirely with bots or technology intelligence removes human expertise which, once gone, is costly to replace — not to mention the cost affiliated with the maintenance and functionality of the bots themselves. So, the key is finding the right balance."

Whether the right choice be AI or ML (or indeed both) for a bank or custodian, Torstone Technology's Collings outlines the important differentiations between the two, indicating: "ML is well-suited for automating tasks in which pattern recognition is the key factor, which makes it a good fit for processes like exceptions management and reconciliation.

"AI is often used to describe technologies that are actually ML tools, but AI application is in reality more limited, partly due to transparency issues. ML is able to spot patterns in data in which it is trained but has a more defined remit of output, where true AI is making more fundamental decisions."

No matter the choice, the basis of a good battle plan goes back to intelligence — having the right data to utilise these methods of technology and having a solid foundation of cohesion in which to evolve them.

As Jennifer Peve, managing director, head of strategy and business development at DTCC, expands: "The key to success in leveraging these tools is in having a strong data strategy and developing a data analytics platform."

She adds: "Cloud-based data platforms can offer financial institutions speed, flexibility, and scale to provide firms with real-time access to highly accurate and valuable data in a governed manner."

T+1 and T+0: Walking in to new territory

We are approaching the first anniversary of the launch of DTCC's two-year industry roadmap to shorten the settlement cycle for US equities to one business day (T+1). In the grand scheme of things, the move to T+1 is a solution to win a battle against settlement shortcomings, but it is well known that it will not (nor does it set out to) win the war on all post-trade inefficiencies.

"The turning toward T+1 or even T+0 for greater straight-through processing will not solely provide the cure for settlement inefficiencies, but it is the best reachable reality in the next few years to come," says BNY Mellon's Dobrick. "We have to also keep the prospect of T+0 at a wide scale in mind."

But levels of efficiency can very much depend on the region in question. Comparisons between an Asia-based, North America-based or European-based custodian, bank or CSD need to be outlined when considering the reality and context of this debate. As Cécile Nagel, CEO of EuroCCP, deems: "In Europe, a shift to T+1 would be a huge endeavour given how diverse it is compared to the US. Europe comprises 27 markets with numerous different processes across their respective CSDs, and while TARGET2-Securities (T2S) has helped achieve some harmonisation, more work remains to be done."

She adds: "This also begs the question as to whether the industry should look further afield towards T+0."

For an industry that is of course on the frontline through periods of extreme economic volatility, particularly during the last two years and indeed before, there are those that say it will be a challenge, but will essentially just be another storm to weather.

Camille McKelvey, head of MarketAxess post-trade, straight-through processing business, expands that MarketAxess and the industry is ready and able to face changes like the move to T+1 or T+0.

"As an industry we get used to working in a certain way and any deviation from that requires a coordinated re-organisation. In Europe, this becomes even trickier as there are so many different CSDs, but we have proven that this can be done before so we are confident that it can be done again."

Looking at what banks and custodians can expect and should prepare for within post-trade this year, Citi's Marsh indicates: "In the near term we expect better distribution and use of data coupled with AI to have the most significant impact in post-trade."

BNY Mellon's Butler predicts: "[The industry] will see greater collaboration across the ecosystem — not to drive individual benefits but, rather, to solve industry pains. I think that there will be a push from our clients to be more proactive in collaborating on cross-industry innovation, technology solutions and leveraging fintechs to drive adoption and change."

With the right intelligence provided by the data, collaboration from and for the industry, coupled with strategic reliance on the right kind of technology that is ready and waiting in the reserves, 2022 could be the year that banks and custodians do not just 'keep on keeping on' in post-trade, but actually reach the frontline to their own, tangible and realistic idea of a 'new world order'. ■

Digital Asset, the software and services provider, has appointed J. Christopher Giancarlo, former chairman of the US Commodity Futures Trading Commission (CFTC), to its board of directors.

As a member of the board, Giancarlo will provide counsel to Digital Asset's leadership on asset tokenisation, distributed ledger technology advancement and the regulatory and monetary developments impacting this space.

Giancarlo served as the 13th chairman of the CFTC from 2014 to 2019 under Presidents Barack Obama and Donald Trump.

Under his leadership, the CFTC published primers on virtual currencies and smart contracts, oversaw the launch of the first bitcoin futures contracts, and created LabCFTC as the agency's stakeholder in the digital evolution of derivatives trading markets.

As chairman of the CFTC, Giancarlo also served as a member of the U.S. Financial Stability Oversight Committee, the President's Working Group on Financial Markets, and the executive board of the International Organization of Securities Commissions.

Giancarlo currently serves as senior counsel to the international law firm Willkie Farr & Gallagher, and is a member of several boards, including Nomura Holdings, Common Securitization Solutions and The American Financial Exchange, among others. ■

FinoComp, the software development company owned by Bravura Solutions, has appointed its former head of product Mike Baker as managing director.

Baker replaces Ray Tubman, who co-founded FinoComp in 2015 to develop software solutions for the wealth management sector.

Baker has more than 10 years' experience in wealth management and a career spanning decades within financial services.

Prior to joining FinoComp in 2017, Baker served at international technology company GBST where he was a business analyst for more than six years. Before that he was a business analyst at Capita Life and Pensions from 2009 to 2011.

Tubman will continue as a special adviser at Bravura, supporting the transition process during the first half of this year, before stepping down in June 2022.

Commenting on his decision to step down, Tubman says: "I would like to extend my sincere thanks to everyone for the support in making this a great company. I am extremely proud of the business we have built. I would also like to extend my full support and best wishes to Mike Baker. I am sure he will excel in taking the company forward and maintaining the culture that we have all worked hard to build."

Baker says: "I am thrilled to be taking on this new role and look forward to building on the success of the business and working closely with the wider Bravura family."

" I have worked with Ray for over a decade and have been inspired by his energy and passion for developing truly innovative


InvestOps
by tradetech
March 28 - 30, 2022
JW Marriott Tampa Water Street
SCAN FOR 10% DISCOUNT
Join The Biggest Buy Side Investment Operations Community
Jim Kearney
Principal Global Investment Operations
Vanguard
Lou Rosato
Director – Investment Operations Global Business Strategy and Relationship Management
BlackRock
Mike Tumilty
Global COO
arbdn
Cinda Whitten
CIPM MD Global Operations
Principal Global Investors
Carol Denny
Vice President Fund Administration
Franklin Templeton
Anthony Mirabile
MD US Investment Operations
Goldman Sachs Asset Management
Vincent Pasqualicchio
COO Investment Operations
American Family Insurance
2022 SPONSORS
AlphaCentrix
Arcesium
ARCHER
ARRIA
ASSETTE
AUTOREK
BEST X
Broadridge
CASSINI systems
Charles River
citi
CLEARWATER ANALYTICS
curium
endava
enfusion
FIS
FXConnect
genesis
Code Less, Do More
GLOBETAX
Gresham
IHS Markit
InterSystems
Health | Business | Government
ISS SCAS
SECURITIES CLASS ACTION SERVICES
J.P.Morgan
Linedata
NORTHERN TRUST
RIMES
SAPHYRE
powered by ATTOM
SimCorp
STP
INVESTMENT SERVICES
Taskize
TEMENOS
TRADENEXUS

Komainu, the digital asset custody services provider, has appointed Matthew Chamberlain as CEO.

Chamberlain will be responsible for the continued growth of the company, as it further develops its platform to offer a range of services for institutions looking to expand and establish their digital asset footprint.

Since 2017, Chamberlain has served as CEO of the London Metal Exchange, the world centre for industrial metals trading.

Prior to serving as CEO of the London Metal Exchange, Chamberlain also held several senior roles within the exchange, including head of strategy and implementation, head of business development and chief operating officer.

Prior to the London Metal Exchange, Chamberlain was a director at UBS.

Komainu was established in 2018 as a joint venture between global investment bank Nomura, digital asset security firm Ledger, and digital asset investment house CoinShares, to provide institutions with secure and compliant custody solutions for digital assets investments.

The organisation draws on expertise from banking, fund management and cybersecurity to provide regulatory compliance, anti-money laundering and insurance solutions.

Commenting on his appointment, Chamberlain says: "I have always been passionate about building safe and efficient solutions to ensure global markets function as effectively as possible. With its regulated institutional custody platform for cryptocurrencies and broader digital assets, Komainu's hybrid servicing model combines the best of traditional and decentralised finance, and truly represents the natural evolution of our industry." ■

technology solutions. FinoComp has seen exceptional growth and we are well poised to further expand our global footprint as we deliver our technology solutions to new regions and markets."

Nordic corporate bank SEB has appointed Stefan Räni as strategy and business development lead within cash and sub-custody, effective from March 2022.

In this newly created role, Räni will report to Jesper Lindén, co-head of cash and sub-custody.

Based in Stockholm, Räni will be responsible for SEB's growth in the Nordic sub-custody market.

Räni has more than 25 years' experience in the banking industry, and re-joins SEB from Danske Bank, where he was head of investor services for Finland, Norway and Sweden.

During his previous tenure at SEB from 1997 to 2020, Räni held a number of senior management roles, including global head of product management custody and network management.

Commenting on Räni's reappointment to SEB, Lindén says: "The creation of this role is testament to the progress SEB has made in the Nordic sub-custody market, and our ambition to grow even further.

"Stefan will play a central role in our work to shape and future-proof SEB's position as the leading Nordic sub-custody provider, and we are sure his extensive industry experience, knowledge and know-how will be a valuable asset in driving this work."