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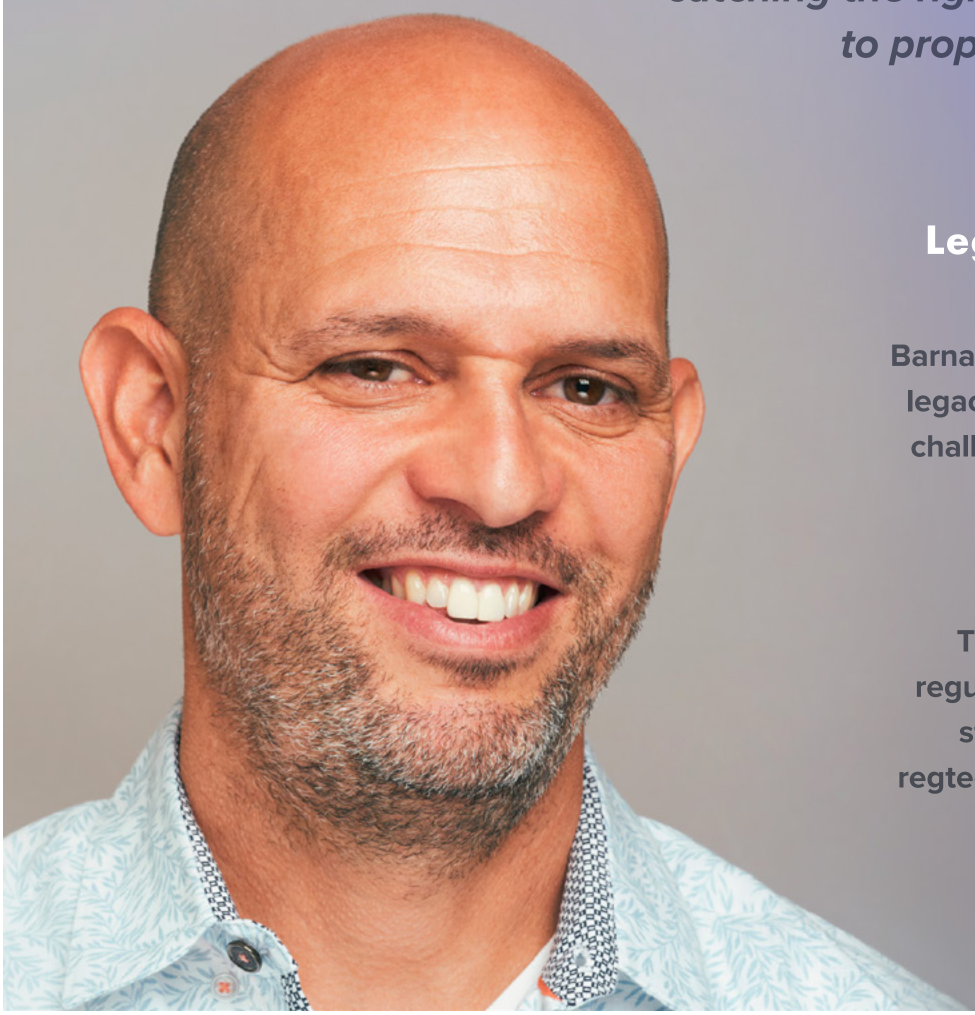

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Ready for Next

SETL and Digital Asset partner for protocols to launch interoperable tokens

SETL has partnered with New York-based Digital Asset to create a new protocol which can be used by regulated institutions to launch interoperable tokens.

The new protocol, modelled on Citi's Regulated Liability Network (RLN) initiative, will be developed and operated to enable banks, central banks and other regulated institutions to create tokens for their customers.

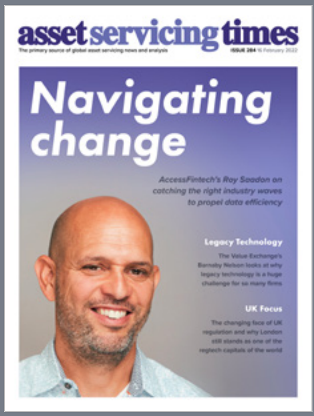
Each token will represent a promise from the issuer to the holder of the token.

Transferring tokens between banks will be handled by the network which will mint, burn and transfer tokens to achieve real-time settlement between the customers of any regulated institution.

The joint initiative will be ready for testing later this year. SETL and Digital Asset have invited interested institutions to open a partition on its prototype network to test use-cases and to familiarise themselves with the new protocol.

Philippe Morel, CEO of SETL, comments: "There is real momentum behind the RLN model and we are excited to join forces with the Digital Asset team to fulfil the promise of blockchain and distributed ledger technology for banks and their customers everywhere. This approach will be easy for organisations to embrace and will provide an equally simple model for central bank digital currency, bank and e-money coins, as well as any kind of tokenised liability such as bonds, loans and shares."

Yuval Rooz, CEO of Digital Asset, says: "We have always taken pride in enabling our clients to innovate and this is no exception. Interoperability is a major goal for us and by working with SETL we will produce a world class network with the ability to connect and communicate across all existing clients' solutions to serve the regulated community." ■



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Let's talk about
the next wave in
AI, Machine Learning
& Managed Services

FIMBank renews contract with Volante

FIMBank, a Malta-based provider of trade finance, is to extend its partnership with payments specialist Volante by deploying additional components from the Volante Payments as a Service (PaaS) payments processing platform.

The partnership began in 2018 when FIMBank selected Volante's service, running in the cloud on Microsoft Azure, to process inbound and outbound Single Euro Payments Area (SEPA) payments for the bank's corporate customers.

FIMBank will now use the service to facilitate its switch to clearing and settlement via the Central Bank of Malta.

Gilbert Coleiro, chief information officer at FIMBank, comments: "Volante's PaaS is now a core part of our mission-critical payments business. Its extensibility will allow us to easily participate in new schemes like SEPA instant, expand cross-border capabilities, and smooth our migration to ISO 20022."

Vijay Oddiraju, CEO of Volante Technologies, says: "We are delighted to see FIMBank expand its relationship with Volante by using our cloud PaaS for more of its mission-critical payments needs, including SEPA instant processing."

He adds: "FIMBank has recognised that the cloud can accelerate its modernisation journey and eliminate legacy limitations, giving it the freedom to evolve in whatever direction it chooses for itself and its customers. We look forward to continuing to support FIMBank throughout this journey." ■

Commission extends UK CCP equivalence to June 2025

The European Commission has confirmed that it will extend equivalence for UK central counterparties through to 30 June 2025.

In the wake of Brexit, the Commission has voiced concerns that the significant reliance of the EU financial system on services delivered by UK-based central counterparties (CCPs) could present risks for financial stability.

In September 2020, it enacted a time-limited equivalence decision for UK CCPs running until 30 June 2022 to offset potential risks to financial stability. In doing so, market participants in the EU have been encouraged to reduce their exposures to UK-based CCPs.

The European Commission formed a working group during 2021 — alongside the European Central Bank, European Supervisory Authorities and the European Systemic Risk Board — to develop a strategy for transferring derivatives clearing from UK to EU CCPs.

On 10 November 2021, EU commissioner for financial stability, financial services and the Capital Markets Union Mairead McGuinness stated that the Commission would propose an extension of the equivalence decision, recognising that the working group requires more time to complete its work and stakeholders require more time to debate its recommendations. This extension, until the end of June 2025, has been confirmed through this latest announcement.

The Commission predicts that a further extension after this date is unlikely.

During the second half of 2022, the Commission will formulate a series of measures to develop central clearing in the EU.

This will include steps to enhance domestic capacity, delivering a more cost efficient and competitive clearing landscape in the EU and reinforcing liquidity at EU clearing venues.

Also, it will put forward measures to further strengthen risk management standards at EU CCPs and supervisory oversight of CCP activities within the EU.

HSBC partners with Bloomberg for increased post-trade efficiency

HSBC has partnered with Bloomberg to support real-time trade management processes, including matching and settlement for mutual clients. The partnership will merge Bloomberg AIM, an investment and order management system, with HSBC's middle office technology to offer a post-trade workflow through product and data integrations.

Through the partnership, mutual clients will benefit from higher straight-through processing rates and data accuracy, minimising operational risks and costs while maintaining oversight of the end-to-end process, says HSBC.

These capabilities are the first of a series of ongoing integrations between Bloomberg Buy-Side Solutions and HSBC as part of an overall strategy to drive additional simplicity, transparency and insights into the investing and servicing lifecycle, the global bank adds.

Now live, the offering is available to Bloomberg clients that outsource their middle office operations to HSBC.

Alan Plom, global head of middle office for HSBC, says: "We see this as a natural evolution to our strategy of providing connectivity directly to our clients' preferred front office solutions. In addition to providing ongoing transaction status visibility to our clients, it will also enable a faster on-boarding time for those clients that choose to utilise the Bloomberg AIM front office system." ■

IHS Markit and Financial Recovery Technologies partner for asset servicing

IHS Markit has partnered with Financial Recovery Technologies (FRT) to deliver asset servicing capabilities for corporate actions and class actions. Established in 2008 and headquartered in Massachusetts, FRT offers technology-based services to help firms file claims and collect funds made available in securities class action settlements through eligibility analysis, disbursement auditing and client reporting.

FRT's partnership with IHS Markit aims to offer corporate actions data and processing capabilities to FRT clients while enabling IHS Markit clients to leverage securities class action recovery services.

The partnership will leverage IHS Markit's corporate actions solution that brings together technology solutions and managed data services that help capital market firms to reduce risk, increase efficiency and enhance service quality by streamlining, optimising and automating the whole corporate actions workflow for all asset classes and markets.

Ankush Zutshi, vice president of corporate actions and securities processing, IHS Markit, says: "With the increasing complexity, activity and recovery opportunities in class actions globally, we will be able to offer our clients a state-of-the-art governance and recovery solution through this partnership with FRT, helping our clients achieve comprehensive coverage while maximising their recoveries." ■

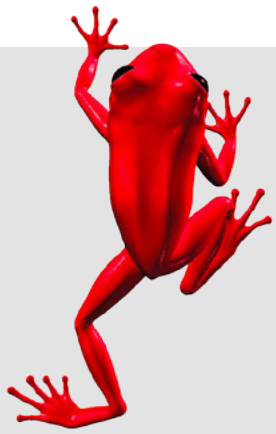
McGuinness says: "Ensuring financial stability and further developing the Capital Markets Union are our key priorities. CCPs play an important role in mitigating risk in the financial system.

"The Commission plans to come forward with measures to reduce our excessive dependence on systemic third-country CCPs, and to improve the attractiveness of EU-based CCPs while enhancing their supervision. We call upon all relevant stakeholders to engage in the consultation being launched."

Euroclear to use Taskize for CSDR Settlement Discipline Regime

Euroclear has selected a Taskize solution to appeal penalties on both its international central securities depository (ICSD) and its domestic CSDs, following the implementation of the Central Securities Depositories Regulation (CSDR) Settlement Discipline Regime on 1 February 2022.

The Settlement Discipline Regime of CSDR requires impacted European



Canada's Questrade picks CWB Trust Services as registered plans trustee

CWB Trust Services, a wholly-owned subsidiary of CWB Financial Group, has been appointed as a registered plans trustee for Questrade, the Canadian online brokerage. The appointment will be effective from spring 2022. As part of the agreement, CWB Trust Services will act as a participating trustee for Questrade's registered plans.

CWB Trust Services provides fiduciary expertise and acts as trustee for more than 1.5 million registered plan accounts, with assets exceeding US$90 billion in its registered plan trust division.

It also administers more than $14 billion in custody assets through its asset servicing group.

Bjorn Frohnsdorf, president of CWB Trust Services, says: "We are thrilled about our new relationship with Questrade. As we continue towards our goal of becoming the best mid-market custodian in Canada, we look forward to putting our three decades of trust and custody experience to work for Questrade's diverse needs."

Edward Kholodenko, president and CEO of Questrade, comments: "CWB Trust Services is an industry-leader in registered plan trustee and custodial services. Their innovative and personalised solutions will help fulfill our service requirements, add value and ultimately ensure our clients become much more financially successful and secure." ■

CSDs to automatically apply financial penalties to market participants that fail to complete transactions on the contractual settlement date and subsequently report those failed trades.

To meet standards of the CSDR, Taskize's Bubble has been specifically built around a Euroclear penalty appeal template — allowing Euroclear and their members to efficiently process penalty appeals.

By using Taskize, Euroclear members benefit from a single, streamlined digital channel to manage the penalties and appeals process, in addition to achieving reduced resolution times for daily operational issues.

The platform also enables market participants to report buy-in trades, as and when this element of the Settlement Discipline Regime is introduced.

Stéphane Bernard, chief operating officer at Euroclear Bank, comments: "Taskize is our preferred client service channel and has been successfully deployed globally across Euroclear. The ability to extend its use to support the specific workflows for appealing penalties under the new CSDR Settlement Discipline Regime means we can bring further efficiencies to our members who can join the network free of charge as part of our sponsoring licence."

Philip Slavin, CEO and co-founder of Taskize, says: "Extending Taskize to support custom workflows is part of our wider strategy, so we are thrilled that Euroclear has used this capability to build out a specific penalty appeal process to enable their members to manage appeals more efficiently under CSDR."

BNY Mellon picks Amundi for fund administration services

BNY Mellon has chosen Amundi Technology and the ALTO Investment Compliance platform for depositary and fund administration services. The ALTO Investment Compliance solution will be deployed into BNY Mellon's global operations to enhance trustee controls and compliance monitoring. ALTO Investment Compliance is a component of the ALTO asset servicing offering dedicated to custodians and administrators within the global ALTO Investment framework.

It provides an open-source, private cloud-based technology and covers the trustee control value chain. Its capabilities include flexible rule coding interfaces, interactive breach management, oversight dashboards and a compliance reporting factory.

The solution offered by Amundi Technology uses core components of the ALTO platform to address front to back needs of asset managers and asset servicers.

Guillaume Lesage, chief operating officer of Amundi, says: "The ALTO Investment Compliance solution benefits from new developments on the ALTO platform, which together bring innovative and flexible solutions across BNY Mellon global asset servicing and digital infrastructure. This agreement strengthens our transatlantic alliance with BNY Mellon to deliver together fresh, efficient and innovative front to back technology solutions to our industry."

Roman Regelman, CEO of asset servicing and head of digital at BNY Mellon, comments: "This agreement advances BNY Mellon's global digital strategy as a leader in providing client-centric solutions with best-in-class partners."

"The deepening integration with Amundi Technology and the ALTO platform will help to improve our service experience across the investment lifecycle and allow us to deliver even greater front to back operational efficiencies for clients." ■

Roy Saadon
CEO and co-founder
AccessFintech

Navigating the waves of change

Roy Saadon, AccessFintech's CEO and co-founder, discusses why 2021 was a breakthrough year for data infrastructure activity in the cloud and how the company has been able to carry itself on the right wave of industry changes

What were the main takeaways and technology themes of 2021 for AccessFintech?

I think the year was marked, not by what individual companies did, but more by how the market reacted to the nature of COVID-19. 2021 was very much defined by the pandemic, with its peaks and periods of low infection rates, as well as the different variants that arose. Through this time, the pandemic created an acceleration of a lot of technologies that were always going to be the future of infrastructure, but were taking the industry a long time to consider and consume.

In my mind, it really was the breakthrough year for data infrastructure activity in the cloud. I do not necessarily look at the company itself, rather at the whole ecosystem, when considering how everything really accelerated.

At AccessFintech, we were lucky enough to be in the right position with the right level of readiness, thanks to our team. It is like a ship on the sea — if you are heading in the right direction and at the right time, and you catch the right wind or the right wave, with the right momentum you can propagate. If you are facing the wrong direction, it will hold you back and hold you down.

AccessFintech has recently partnered with HedgeServ to deliver enhanced controls and efficiency for buy-side clients, through utilising real-time settlement data. How will this be achieved?

The relationship with HedgeServ directly correlates with what the buy-side has been going through with adoption of administration and outsourcing.

The momentum of this seems to go in waves. Industry outsourcing is becoming more accepted and is becoming a more mature service that has really come into its own. We have the ability to work with multiple buy-sides at AccessFintech, with the same infrastructure that we have.

We reach out to the buy-side with a single workflow in a single lens, and potentially a single acquisition point that accelerates the whole momentum of the network. So the data is always what drives the transactions.

These institutions need data to operate and to function more efficiently. It is great to work with an administrator who is so forward-thinking and knows it wants to consolidate data.

> *"There are other players within the data space, but we specifically try to solve the whole idea of sharing the data and collaboration of data as a strategy, and I think that sets us apart"*

How does AccessFintech differ in its approach to utilising a business' data with its platform Synergy? And how does it compare to other fintech firms in the financial services sector?

There are plenty of fantastic ideas in fintech. Even when banks have the appetite to embrace it, change in any bank will often be a long process. But banks really have to solve something that is a repeating problem and not just agree to "aggregate technology".

We have been focusing on data normalisation and data strategy. That was our strategy, that is what we did, and it appealed to a lot of banks.

Where we differentiate with other fintech firms is that we focus solely on the provision and promotion of data, rather than solution functions.

We interact with many different fintechs because we actually shorten the whole adoption cycle by giving them access to data — we are an enabler for the whole fintech adoption of the banks.

We have got a very unique niche. There are other players within the data space, but we specifically try to solve the whole idea of sharing the data and collaboration of data as a strategy, and I think that sets us apart.

As a global company, how are your clients' needs changing? How does AccessFintech equip itself for the range of contrasting client needs across the different jurisdictions in which it operates?

The founding team here are all from technology companies with extensive fintech backgrounds, which helps when servicing the institutional and vast international firms. You have to be global from day one, and our clients trade globally, from Sydney to San Francisco. They interact all the time; there is not really a localised solution if you want to be a serious provider for that activity. But with technology and cloud, there is a difference between offering a long-term solution and being present in every jurisdiction. Cloud allows you to have a really different way of looking at distribution. You no longer have local installations or local activities, but you have to feel like a 24/7 company to the clients.

From a client relationship perspective, as someone technology provisioning, you do have to have a local presence. For a company like ours, being global means that the thing to focus on is making sure that the relationship and the value is understood globally.

Having said that, the delivery of technology is so much easier than it used to be, so you really are out of the gate on day one — from day one, you are a global company. But you have to differentiate what your client relationships are versus what your technology delivery is.

What is the major regional difference, particularly between Europe, the UK and North America from AccessFintech's perspective?

It has to be regulation. We are not regulated, but our clients are, and we are sensitive to the different regulation understandings. In our world, regulation is impacted by data governance and data controls. But the regulation also impacts not just how you manage risk, but also how your data is accessed and how your data is managed.

The biggest impact for us is subrogation of data as well as the encryption and protection of data. Data has become such a valuable asset, you really have to treat it as if you could trade it, manage it or govern it.

As the February implementation date for mandatory buy-ins has now been pushed back, how is your Implementation Working Group helping its clients resolve their remaining data issues with the extra time that has now been given?

We have one working group that works on the regulatory side, with regulatory feedback, but also another direct working group that allows banks to talk to each other about the actual implementation itself.

Navigating the Central Securities Depositories Regulation (CSDR) has been a frustrating stopping and starting process, because the whole industry is trying to navigate it left and right. If you go too far one way, you may feel like you are over invested, and if you do not go far enough, you may feel like you now have a really limited time to meet compliance.

The industry definitely shifted from focusing a lot on buy-ins to focusing on penalties. At the end of the day, regulators have fully achieved what they want — which is to achieve better settlement rates. Our specific approach at AccessFintech is automating buy-ins and penalties. And if we over commit, it is a risk that a vendor has to take to be a provider of that area.

Our working group allowed us to make sure that while we take a gamble in doing more, at the same time, we knew we were targeting a common set of problems that were shared by the banks. And if we saw the banks were taking different approaches, we could actually collate and highlight the differences to bring to their attention to help create a common set of understandings. This takes our risk away, but also takes a lot of risk away from the banks on the buy-side to know that they are looking at things with collaboration in mind, and that they have a local understanding.

As a fintech, how is AccessFintech helping clients better comply with ESG strategies and regulations?

It is a topic that is massively close to my heart. If working with the cloud results in a company having a smaller carbon footprint, then we help people go to the cloud. If better usage of data and better replication of data also helps lessen carbon footprints, then will help with that. If working from home is a catalyst for a smaller carbon footprint — and the ability to work from home seamlessly reduces carbon footprint — we shall increase that model of working. We learned that we can work remotely — even on the client relations side and on the sales side.

> *"Everything has changed in the last year in terms of how we look at ESG as well as mental health"*

Everything has changed in the last year in terms of how we look at ESG as well as mental health. Mental health is a big topic. I do not think the nature of the pandemic created this awareness, it was already there, but it enabled benefits and improvements in these two important areas. Yes, COVID-19 drove these changes, but at AccessFintech we are looking to create momentum out of them — the understanding and awareness.

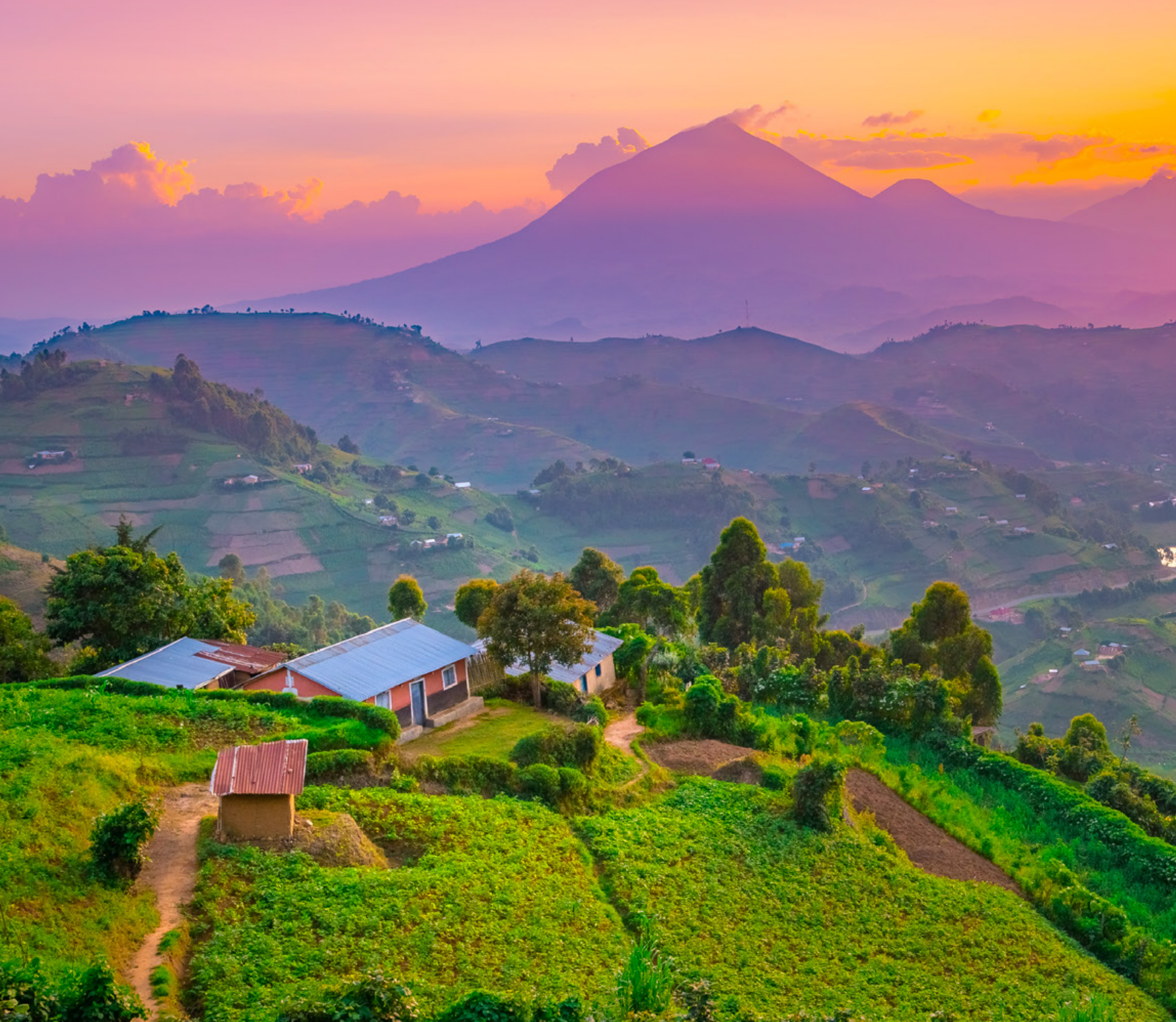
What has AccessFintech got planned for 2022?

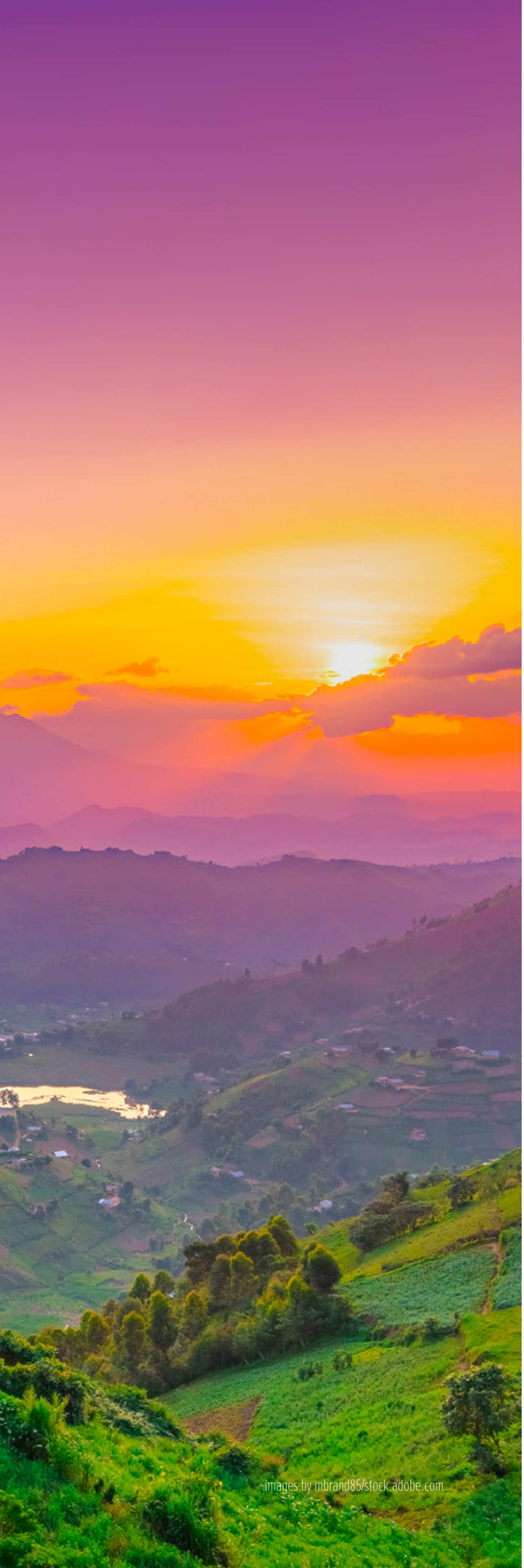
AccessFintech reached a critical mass in 2021. That level of change, brought by the COVID-19 pandemic, altered the needs of our clients. Prior to last year, they may have always wanted a network such as ours, but did not want to be on the first wave of the adoption, and were more likely to be on the second or third wave, once it was tried and tested by others.

We are in the midst of that type of growth that comes in through the participants who are more risk averse. It is exponential growth, because the number of participants is dramatically bigger than what it was before COVID-19, so really, the network effect is in full flight. For AccessFintech, 2022 will be all about growth, coverage, onboarding, and all hands on deck. ■

On a growth path

Africa hosts a great cluster of emerging and frontier markets. Brian Bollen looks at the changes abound from Ghana to Cameroon, and what the path ahead looks like for its asset servicing





Africa remains a collection of emerging and frontier markets, but continues to have strong attractions for investors, say those who know the continent intimately. This of course drives the demand for custody and related services, a market which is, broadly speaking, settled, says Michelle Swanepoel, managing director and regional head of financing and securities services Africa at Standard Chartered Bank.

"There is not a great deal of movement in terms of banks wanting to set up in what is a capital-intensive activity," she comments. "It is not necessarily economically viable to invest the required amounts in technology and staff in modestly-sized mature markets. Where we see change taking place is in the buying behaviour of larger global inbound investors, and a withdrawal of regional players. There is a trend towards consolidation in favour of players who can serve several markets."

With the entrance of Sandton, South Africa-based Granite CSD into the market, competition — which is fundamental to the growth story of the market and region — is thought likely to ultimately benefit the end investor from a pricing, innovation and quality-of-service point of view. Granite is an alternative central securities depository (CSD) which was licensed in May 2017 for bond and money market securities in South Africa and has high ambitions to become a depository for equities and develop custody and collateral capabilities. Its arrival on the scene as a competitor to Strate made South Africa the first country on the continent to have two CSDs servicing the same markets, notes Leon Rossouw, Granite's CEO. "Nigeria was not far behind," he adds. "We are in advanced discussions with other country CSDs to collaborate and seek efficient cost-effective solutions."

Against this evolving backdrop, Standard Chartered Bank and Standard Bank are currently the primary ports of call for international investors looking for a reliable gateway tended by a familiar name with broad multi-regional reach. Standard Chartered provides direct custody in 11 African countries where it has a bricks and mortar presence. Societe Generale Securities Services remains an active player, providing custody services from five locations, in North Africa, Western Africa and Central Africa. "We are also actively monitoring new frontiers in Eastern, Western and Central Africa," affirms Jean-François Marchand, Societe Generale Securities Services (SGSS) international country supervisor for Africa.

In frontier markets it is vital that investors and intermediaries select local sub-custodians which are well-risk managed and sufficiently capitalised, say Marchand and Duncan Smith, senior sales and relationship manager at SGSS, in a mini-essay on the continent. Published in late autumn 2021, this examines the principal developments unfolding across the major African markets together and a number of the challenges they pose to investors. In a handful of markets, local brokers are sometimes the only custody option available to foreign investors; the recent trend for portfolios domiciled in Mauritius to be moved to a more regulated environment in Luxembourg has underlined the need for sub-custodians to have the backing of a strong balance sheet.

"The securities services landscape in South Africa is highly competitive and dominated by the local banks that provide a comprehensive range of securities services from domestic and global custody to securities lending and derivatives clearing," says Mark Kerns, CEO at Adapa Advisory. Between 75 to 80 per cent of domestic custody market share lies with the local banks.

Standard Bank is universally recognised as a major sub-custodian but also supports end-investors such as asset managers. South Africa-based ABSA (previously Barclays Africa Group) has recently returned to what is becoming an increasingly complex custody market. Other regional players include Rand Merchant Bank.

Kern expands: "Certain markets will be covered by a hub, but where there is scale, as with, say, Nigeria and Kenya, the service will be direct. In terms of supporting international investment for domestic clients, none of the domestic providers has a global custody capability."

Swanepoel adds: "Standard Chartered offers an international custody hub solution from Mauritius giving access to our 40 footprint markets across Africa, the Middle East and Asia and a further 60+ non footprint."

Separate entities

While Granite and others look determinedly to the future, questions of market liquidity and foreign exchange restrictions remain an issue here in the present, while environmental, social and governance, cryptocurrencies and digital assets are coming to the fore. No feature dedicated to the state of the African custody market can take place in a vacuum. Within seconds of the start of any conversation on the subject, the state of play in the underlying financial markets rears its head and almost immediately begins to dominate the discussion. The mantra stating: "Africa is not a single market" quickly becomes a familiar one, along with: "each of Africa's markets is at a different stage of development".

A clear example is provided by the core content of the first edition of Standard Chartered Bank's Africa, Middle East and Pakistan Securities Services Market Information Newsletter for 2022 (we are indebted to Standard Chartered and Societe Generale Securities Services for authorising the mining of their work). Swanepoel begins her contribution to the Standard Chartered quarterly market insights report by noting that 2021 was an eventful year in Africa. "Despite the continued impact that COVID-19 has had on the region, the market advocacy agenda has continued to gain traction," she writes.

"Green shoots in offshore investor returns were seen most notably in Uganda and Zambia and we are hopeful that in 2022 markets that have seen an exit of offshore investment start to see a return of risk appetite, which will aid some of the stretched foreign currency scenarios that have been experienced this year. Domestic market investment from local investors has delivered well and Africa has again demonstrated her resilience in 2021. It is evident that resilience and perseverance will again be the name of the game as we enter 2022.

"If we reflect on the achievements made in capital market development, in both the trading and post-trade environments, it is evident that investment continues with a particular drive to continue the automated accessibility to execute trades, ensure efficient market processing and a drive to increase investment."

In the report, Swanepoel notes that West Africa saw the Bourse Regionale des Valeurs Mobilieres (BRVM) Regional Stock Exchange move from centralised electronic listing (order entry) to decentralised electronic listing (order entry by brokers). This has resulted in the transmission of orders from devices such as mobile phones and electronic tablets to be routed to the BRVM trading system. The objective is for all the brokers in West African Economic and Monetary Union to be able to offer online stock exchange services to their clients.

In Ghana, the Capital Market Master Plan was launched, with the aim of improving the diversity of investment products and liquidity, increasing the investor base, strengthening infrastructure and improving market services as part of a wider effort to improve regulatory, enforcement and market confidence.

In Nigeria, good collaboration was seen with the CSD in looking at how the Africa agenda can be presented at the International Securities Services Association. There is also increased awareness and appreciation of the need to move to a single depository account structure. New beneficial ownership rules were raised successfully with the Securities and Exchange Commission of Nigeria to avoid additional disclosure requirements by investors.

The Uganda Securities Exchange has continued with the digitisation agenda with measurable success; at the start of 2021, account opening was digitised for retail and institutional investors.

In Kenya, the outcome of VAT and excise tax applicability on "exported services" was finalised, resulting in the exemption of these taxes for foreign investors, an outcome for which Standard Chartered has been lobbying for several years.

Kenya also saw the adoption of SWIFT MT535 usage by the Central Depository and Settlement Corporation for the automated reconciliation of securities holdings and the adoption of hybrid meetings for annual general meetings and electronic voting by shareholders. Many companies have amended their memos and articles of association to adopt this.

Botswana's Non-Bank Financial Institutions Regulatory Authority (NBFIRA) approved the concept of "off-market transactions" to be approved by the Botswana Stock Exchange, with effect from 1 May 2021.

In South Africa, at the CSD level, Strate launched stakeholder engagements in respect of overhauling their fee and billing models. "Whilst the process is expected to take two to three years to come to fruition, we see this as a positive step in simplifying and harmonising fees and billing across asset classes," says Standard Chartered's Swanepoel. From a technology perspective, the CSD has begun "experimenting" with and will pilot an application programming interface for securities lending and borrowing early in 2022.

> *"The securities services landscape in South Africa is highly competitive and dominated by the local banks that provide a comprehensive range of securities services"*

Mark Kerns, CEO of Adapa Advisory

Exchanges

At an exchange level, competition to the main exchange, the Johannesburg Stock Exchange (JSE), is slowly starting to gain momentum. A2X Markets added several new dual listings to its platform during the course of the 2021, whilst 4Africa Exchange, which was previously a closed market for restricted share classes, has re-branded itself as the Cape Town Stock Exchange and moved to an open market model.

However, neither of the newer exchanges is yet in any position to compete with the scale of the JSE.

The JSE has embarked on several initiatives in the wake of delistings and fewer new listings over the last 15 to 20 years, Swanepoel observes. These initiatives include making listing requirements less onerous and less expensive in order to encourage new listings, and also maintain and retain existing listings.

The JSE has also embarked on several diversification journeys in which it has acquired a small custodian, an issuer services business/transfer agent and taken a majority stake in a financial technology business, which will assist it in tapping into private placements.

"There is a focus on growth for pension schemes, which have traditionally had very low penetration across Africa"

Michelle Swanepoel, Standard Chartered Bank

The path ahead

While stressing that custodians play no part in investment management directly, or buffer the associated risk, Swanepoel suggests that Africa still represents an alpha opportunity for offshore investors as they begin to focus again on returns after a prolonged flight to safety.

"Africa as a continent is still on a growth path," she says. "Around 75 per cent of the population are under 35 and obsessed with mobile connectivity. There is also a focus on growth for pension schemes, which have traditionally had very low penetration across Africa."

Taking up the commentary, Marchand and Smith of SGSS also believe that African markets are in recovery mode, despite the prevailing economic uncertainty being caused by COVID-19. They state in their aforementioned essay that persistently low and negative interest rates — along with overpriced equities — in the major developed markets are forcing institutional investors to rethink their portfolio compositions — with greater prominence now being placed on higher-yielding emerging and frontier economies.

After suffering from a COVID-19-induced contraction of 2.1 per cent last year, real gross domestic product in Africa is projected to increase by 3.4 per cent in 2021. The economic rebound and the introduction of positive market reforms in a number of countries is helping convince investors to bolster their Africa-wide exposures.

Now sitting on record amounts of dry powder, the private capital industry — including private equity and infrastructure — is increasingly scoping out investment opportunities across Africa. With the abundance of highly successful African financial technology companies — especially in the online payments world — it is expected that private equity's interest in this dynamic sector will continue to increase well into 2021/22. Meanwhile, infrastructure investment in Africa remains robust, with managers earmarking funds for traditional and renewable energy projects.

Although countries such as South Africa, Kenya and Nigeria have historically been among the most heavily-traded African markets by foreign equity investors, momentum is gathering elsewhere too, most notably in Cameroon where new regulations have been enacted to encourage further initial public offering activity. Trading is also being fuelled by the growing consolidation between market infrastructures across different countries.

The establishment of regional infrastructures allows for the pooling of liquidity into a single location, instead of spreading it too thinly across multiple, smaller markets. For instance, the Central African Economic and Monetary Community countries — comprising Cameroon, Central African Republic, Chad, Gabon, Equatorial Guinea and the Republic of Congo — all have the Central African Stock Exchange (more commonly known as BVMAC) which has helped drive liquidity into these markets. Such consolidation can help attract international players with SGSS opening up a branch in Cameroon in 2020 after BVMAC's merger with the Douala Stock Exchange.

Other initiatives aimed at attracting liquidity into Africa's famously fragmented equity markets include the Africa Exchange Linkages Programme, a cross-border trading and settlement link involving the stock exchanges of Morocco, Egypt, South Africa, Kenya, Mauritius, Nigeria and BRVM.

Such programmes are likely to stimulate global investor activity across these markets post-pandemic, notes SGSS' Smith. ■

Barnaby Nelson
CEO
The Value Exchange

Beast for burdens

Barnaby Nelson, CEO of The Value Exchange, sits down with Jenna Lomax to outline a key imbalance in the industry on how legacy technology is managed. As recent research (with IHS Markit and Digital Asset) has shown, it is both a key enabler for so much industry change and a huge challenge for many firms

How big is the legacy tech problem today?

Legacy tech is a fascinating theme — because it does not catch the headlines very often and yet it stands on the critical path of just about every single major change priority that banks and investors face. From the Central Securities Depositories Regulation (CSDR) to environmental, social, and governance (ESG) or digital assets, the ability to manage your legacy technology is a key enabler to your ability to deal with market (and customer) change.

And it is a widespread issue. Among the sell-side, just over one quarter of settlements systems are more than 20 years old, which means that large parts of our daily processes are being supported by tactical workarounds or extra people whose job it is to supplement old and ageing core platforms. Aside from the obvious volume limitations of older technology, these workarounds cannot scale during volume peaks and they cannot handle future market change either.

Where is the legacy tech problem in our firms?

Legacy and siloed technology platforms reside across all of our organisations — but our research shows that the legacy problem is particularly acute in certain key areas.

It is especially prevalent in the post-trade space, for example, which has had comparatively minimal investment over the last five years when compared with bank-wide platforms (such as client onboarding, fees and client reporting).

> *"Today, the biggest driver for legacy tech replacement is actually market change much more than it is about managing system end-of-lifes"*

It is alarmingly prevalent in the listed derivatives space (where 97 per cent of systems are unable to process transactions for other asset classes) and among broker-dealers (where 52 per cent of systems are run locally or regionally).

What is the strategy for replacing legacy?

A key outcome from our research is that we cannot wait until the system's end-of-life to start planning for change. Today, the biggest driver for legacy tech replacement is actually market change (regulatory compliance, cost savings and new client reporting) — much more than it is about managing system end-of-lifes.

The average profit and loss of a legacy tech replacement project is about US$1.5 million — more than 40 per cent of which comes from new revenues. Growth enablement is a critical piece in all of the conversations we have about legacy — and it is something we do not factor into our planning enough. Legacy tech is not about keeping old systems going for as long as possible, it is about delivering on your growth priorities.

Where is legacy tech replacement happening?

We are seeing the highest volumes of transformation in areas where regulatory change and growth pressures are the most acute — which are not necessarily the areas where the systems are the oldest.

Equities is a major area for change, largely driven by the significant changes triggered by CSDR, the Shareholder Rights Directive II (and possibly T+1), as well as by the significant market volumes that we have seen in the last two years.

Functionally, corporate actions are the central area of change — and it is also where the change appears to be most urgent. This reconciles well with other ValueExchange research and highlights this space as a real hot-spot for change in the industry.

We spend all our time on settlements but all our risks are on corporate actions — and there is a huge amount of awareness today indicating that has to change.

Most importantly though: the change is happening now. 47 per cent of respondents across the industry have legacy tech transformation projects going on in 2022 — and that is clear evidence that this topic is at the centre of many transformation plans today.

What are the big risks that we need to have in mind if we want to deal with our own legacy tech problems?

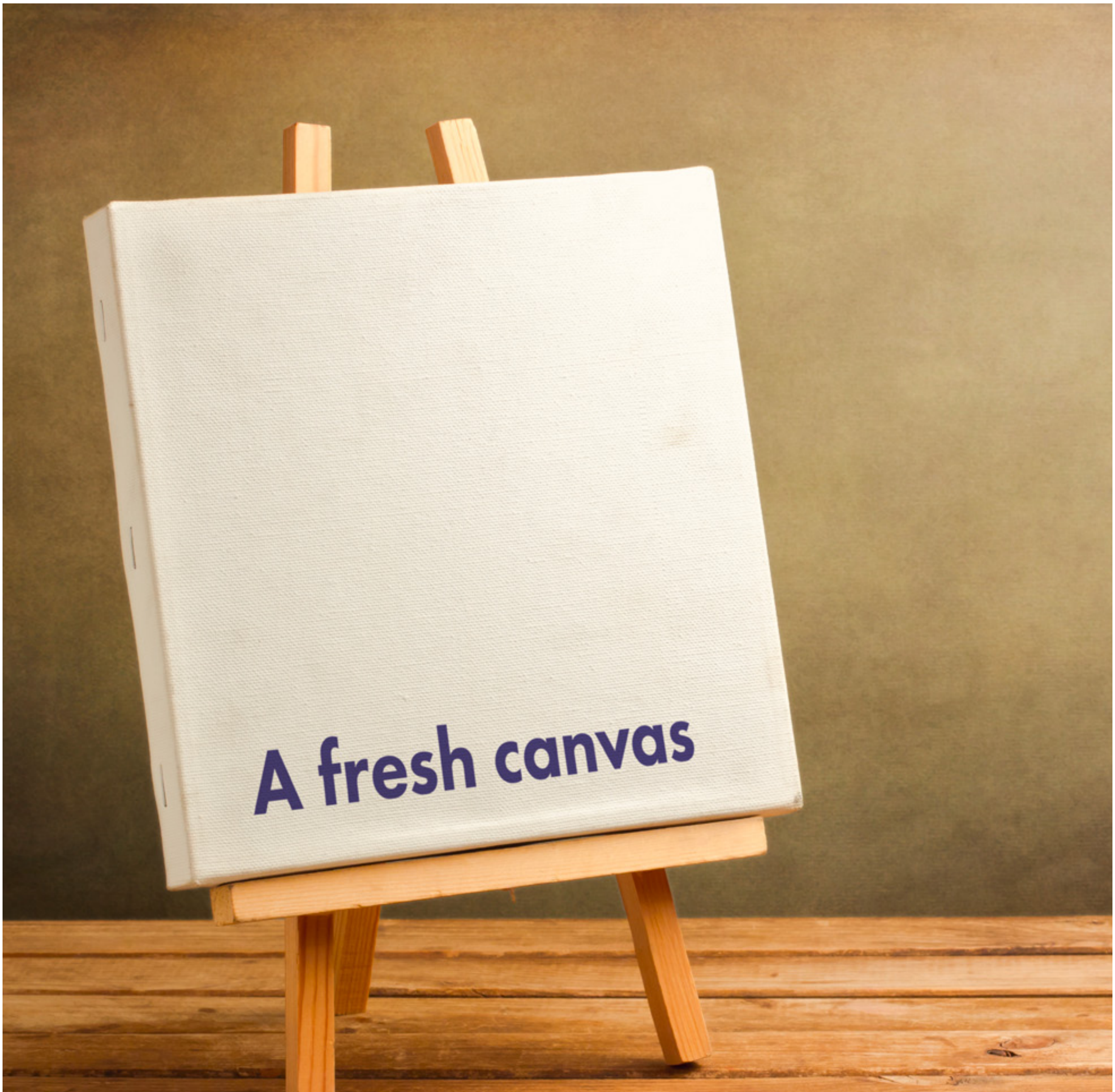
The biggest challenge in executing legacy tech replacement projects is the lack of resources to manage a major transition.

It is extremely hard to get sign-off for large, multi-year projects — but it is even more difficult to secure the talent and expertise needed to realise them.

This is no doubt a key driver behind the fact that about 50 per cent of the industry is managing legacy tech through smaller, incremental change projects (such as adding new data layers or in-house work-arounds on top of their ageing systems).

It seems that some systems (especially in the settlements space) are almost too big to replace wholesale — whereas workflows such as corporate actions or tax seem more suitable for end-to-end transformation.

Nevertheless, the fact that one in two of us is opting for these tactical fixes (rather than more transformative change) is a potential red-flag for us all — as it means that we risk continuing to carry the legacy tech burden with us for many years to come. ■



A fresh canvas

With regulative moves such as the UK Fund Regime pending, Jenna Lomax looks at how UK asset servicing is turning the page to paint a new picture for fund administration and regtech, particularly post-Brexit

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Home to the Lake District, Snowdonia and the White Cliffs of Dover, the UK boasts a historically famous landscape, greatly shaped by the Ancient Romans, and mused over by literary greats, from Yorkshire's Brontë sisters to Wales' Dylan Thomas. However, at present, the UK's socioeconomical scene is not synonymous with thoughtful rhyme or romanticised story telling, but more an Etch-a-Sketch of tangled knots as the country's residents face a steep rise in the cost of living, amid an ongoing global pandemic that has ravaged through their ageing population, health service and economy.

When it comes to matters that may affect asset servicing more directly, however, the industry is still awaiting the finalisation of the UK Funds Regime Review, while the UK Financial Conduct Authority (FCA) also tries to help the government crack down on crypto token scams.

Though the ink is far from set on the former, and the latter remains a new-age battle, there are other places that the UK asset servicing industry can look to for more certainty, and where better to look than the country's capital of London?

Though it has combated war, fire and plague over the course of its long and fascinating history, London still stands resolute as one of the fintech and regtech capitals of the world — after what could have been an isolative period post-Brexit for international business relations.

As the UK's Government and population paint by numbers to create a brighter horizon ahead, the same slow but steadfast creativity may be required by asset managers and servicers as they look to face a different regulatory landscape post-Brexit — but, luckily, with some of the world's leading fintechs at their side.

Rough sketching

At present, the UK Government is sketching ideas to crackdown on the policing of cryptocurrency, due to the rising risks associated with token assets scams. The intervention seems quite timely, as a report, published on 2 February by a group of cross-party Members of Parliament berated the UK's current stance toward regulating and policing cryptocurrencies for being "far too lax" and allowing "pernicious scammers".

"Online platforms should expect a future where regulation addresses the significant risks they pose in the same way as other businesses. Same risk, same regulation"

Charles Randell, chair of FCA

In a similar vein, Charles Randell, chair of the FCA, also outlined the dangers of digital tokens in September last year. Randell called for a complete re-evaluation of both domestic and international crypto regulation to address the escalating problem in the coming years. He affirmed: "Online platforms should expect a future where regulation addresses the significant risks they pose in the same way as other businesses. Same risk, same regulation."

Away from crypto, but still paving the way toward the UK's regulative crackdown, and greatly influencing UK fund administration, in particular, is the UK Funds Regime.

The regime seeks input on issues across both tax and regulation to create a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs underpinned by the intention to remain competitive in a post-Brexit era.

> *"The UK is 30 years behind Luxembourg and Dublin. It will not be sufficient just to come up to their level, we are going to need to offer something more competitive than the structures in place in other domiciles"*
>
> ***Patric Foley-Brickley, Maitland Group***

The review started with a consultation on the tax treatment of asset-holding companies in alternative fund structures, to which the government responded in December 2020. The latest report, a wider review of the regime, was issued by HM Treasury in April last year which outlines how the UK looks to become the 'domicile of choice' for overseas investors and sponsors, possibly through setting up certain new types of funds.

"I cannot say I share the authors' enthusiasm, because in some respects, the UK is 30 years behind Luxembourg and Dublin", says Patric Foley-Brickley, managing director at Maitland Group, in reference to the consultative paper.

He adds: "It will not be sufficient just to come up to their level, we are going to need to offer something more competitive than the structures in place in other domiciles."

Speaking more broadly on the regime and all its facets, Pat Sharman, country manager UK at CACEIS, says: "I welcome changes that strengthen the ecosystem for the UK investment funds industry and asset servicers, because it has a positive impact for all investors and pension scheme members."

Sharman adds: "I really welcome this because it creates an important alignment with the focus on driving capital towards more sustainable and responsible investments, and this is an area that I think the UK investment funds and UK asset servicers have a big role to play. The investment landscape also continues to evolve, as do the solutions that investors are seeking, and these complexities need to be addressed through the evolution of existing fund structures or new ones."

Funds, fund managers and fund management-related activities, including fund marketing, are regulated in the UK by the FCA. EU directives are typically implemented in the UK by statutory instruments under the Financial Services and Markets Act (2000) and changes to the FCA's rules.

However, highlighting how the UK could offer the right expertise for fund administration specifically, and if new UK fund administration jobs would be likely to be located outside of London through the passing of the regulation, global investment manager, BlackRock says there would be "no particular barriers".

BlackRock made this statement in relation to the April 2021 consultative paper, to which it added: "To encourage fund administrators to locate jobs in specific regions, the government can ensure that there is sufficient talent in the main skills associated with fund administration and that the specific UK regions in question are attractive places to live and work vis-à-vis London. Fostering clusters of financial services activity outside of London will help generate scale."

Digitally enhanced

Increased digital industry activity both in and outside London is not a new phenomenon but has held steadfast since Brexit — something that can only help generate the previously mentioned scale for UK-based fund administration.

"Many firms have leveraged Brexit as an opportunity to strengthen their business processes, adopt broader, more strategic business models, and also increase localised processing to meet regulatory demands," says Samir Pandiri, president of Broadridge International.

"This has created a huge opportunity for UK fintech firms to collaborate with financial services firms and help them navigate these changes and spotlight how technology can play a significant role in improving overall efficiency," he adds.

Though Brexit has presented a flurry of change, fintech activity outside of London has been fundamentally changed by the work-related logistics the COVID-19 pandemic necessitated, a notion Nasser Khodri, head of capital markets at FIS, expands on.

He says: "The pandemic has proven to nearly all businesses that it really does not matter where you work day-to-day, and we expect to see this learning to be reflected in the growth of more fintech hubs outside of London in the years to come."

The hybrid model of working seems here to stay in the UK with the traditional eight-hour day, five-day-week model showing no sign of returning to pre-pandemic levels — this is something that any future COVID-19 variants may continue to shape and dictate, of course. The introduction of hybrid working is also becoming a hiring tactic in the name of a flexible working ethos and culture — in financial services and also the wider job market. The former factor underpins fund administrator's search for specific UK regions outside London as attractive places to live and work, as many employees, current or prospective, seek out job opportunities away from the London commute post-pandemic.

But while there are those looking purely for better work-life balance, asset managers and servicers are still aiming to find the digital solutions they may be seeking from the abundance of fintech available in the capital and beyond, as FIS' Khodri previously alludes to.

In turn, established financial services fintech companies and start-ups can still depend on those London-based asset managers and servicers for business growth, as well as areas outside London that are becoming more popular to grow technology businesses.

"London has one of the world's highest concentrations of financial and professional services," Broadridge's Pandiri highlights. "This means that demand for fintech solutions is high with a huge pool of potential clients and partner firms. And it is working — government data shows that the UK's adoption rate is 71 per cent, which is well above the global average of 64 per cent."

"The pandemic has proven to nearly all businesses that it really does not matter where you work day-to-day, and we expect to see this learning to be reflected in the growth of more fintech hubs outside of London in the years to come"

Nasser Khodri, FIS

On the other hand, highlighting the regional opportunities available, Alex Di Santo, group head of private equity fund services at Crestbridge, says: "London is an established, global powerhouse for financial services and technology, consistently ranked as one of the world's leading cities for both. However, the UK has other cities such as Manchester, Edinburgh, Cambridge and Birmingham which possess significant talent, fintech presence and investment opportunities."

And, as FIS' Khodri expands: "We are seeing the emergence of [fintech] clusters more recently in other cities such as Newcastle, Reading and Bristol.

In fact, it is interesting to note that more than a third of all fintechs operating in the UK are outside of London." ■

Apex Group has appointed Keith Mahon as managing director for Bermuda.

Mahon will be responsible for the development and growth of Apex's business in the country.

He will also drive the delivery of the group's services and tools for digital asset funds in Bermuda.

Mahon previously worked at Apex from 2010 to 2017, having served in various management roles across Apex's Toronto, Uruguay and Mauritius offices.

In recent years, Mahon has been a consultant and chief operating officer for various companies including Dubai-based Eco3tech, Florida-based NexGen360.io and Bermuda-headquartered Anaplans.

Prior to this, Mahon held numerous senior fund administration and accounting roles at Beacon Fund Services and Citi Hedge Fund Services, based in Bermuda and Ireland, respectively.

Established in 2003, Bermuda was the location of Apex's first office. Apex Bermuda offers a range of fund, financial and corporate solutions.

Peter Hughes, founder and CEO of Apex Group, comments: "We are delighted to welcome Keith back to Apex. He brings extensive international experience and deep local expertise to his position as managing director of Apex Bermuda." ■

IQ-EQ has appointed Frédérik Benoit to global head of transformation, a newly created role, to drive the company's business improvement initiatives on a global scale.

Based in the Luxembourg office, Benoit will work closely with Joanna Macleod, IQ-EQ's new group chief operating officer.

Benoit has 32 years' operations and technology securities services experience, spanning senior leadership roles in Luxembourg, Ireland and Malaysia.

His expertise includes cross-border programmes aimed at achieving technology, regulatory and operational transformation, including client on-boarding, in-sourcing, offshoring and migrations in compliance and custody, among other areas.

Prior to joining IQ-EQ, Benoit was managing director, global head of fiduciary and fund services operations, financial markets at Standard Chartered, where he was responsible for their overall operational footprint including hub operations in India, Malaysia and China. Before that, Benoit served as associate director, global business readiness for Asia Pacific at RBC Investor & Treasury Services.

He has also held other senior roles at RBC Dexia Investor Services, Ireland and Dexia Fund Services Luxembourg.

Commenting on his new role, Benoit says: "I am thrilled to have joined IQ-EQ at such an exciting time for the company and I look forward to helping us achieve our transformational journey. IQ-EQ's exciting transformational will, I am sure, bring this new role to life."

BCB Group has appointed Oliver Madden as senior client relationship manager.

Based in London, Madden will work alongside head of client success, Angelique Dwyer.

Prior to BCB Group, Madden was director of securities finance business development and client management from March 2020 to April 2021.

Before IHS Markit, Madden served at RBC Investor & Treasury Services, first as director of technical sales from December 2007 to August 2013, and more recently as director, initiatives and business management, treasury and market services operations from September 2013 to March 2020.

Madden is also president of ACI Financial Markets Association UK, a volunteer role he began in November 2019.

Commenting on his new role via Linkedin, Madden says: "Could not be happier and very grateful for the opportunity to contribute to the amazing success story that is BCB Group through supporting Angelique and my colleagues to continue to deliver a world class customer experience to our clients." ■

LPA, the capital markets technology and advisory firm, has made two appointments to its UK consulting team.

Russell Chumbley has been appointed as director of capital markets consulting, technology, development and transformation, while James Kirkham has been appointed as head of UK risk function.

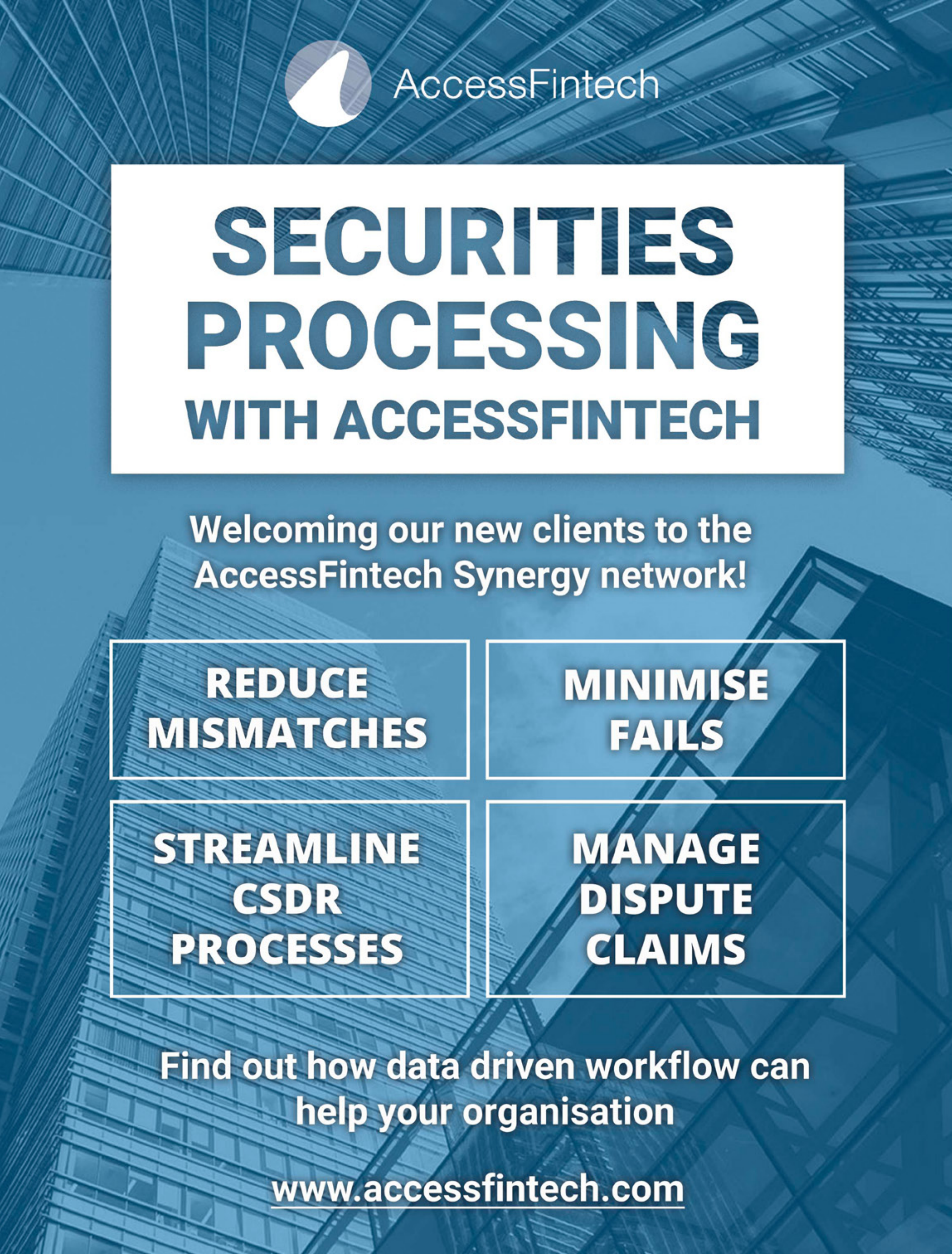
Based in London, Chumbley and Kirkman will join a rapidly growing team of consultants to LPA's UK team, building on its strong client base across Europe.

Chumbley has more than 30 years of experience in the financial services industry. During his career, Chumbley has held technology leadership positions across front, middle and back office business functions with experience in product development, managed services, integrating new solutions into existing architectures and setting up new trading entities.

He was most recently an independent advisor and consultant covering industry insight, fintech and digital transformation.

Prior to that, Chumbley served as global head of enterprise data and corporate technology at Nomura International.

Kirkman is a risk management systems consultant with more than 30 years of experience in delivering risk management change programmes for some of the world's largest banks, including HSBC, UBS and Santander. He has also supported a variety of Basel change programmes and was senior principal consultant for the launch of Sainsbury's Bank. ■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