asset servicing times

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ISSUE 290 11 May 2022

Vista of opportunity

Prospects for Canada's asset servicing industry

Going global: T+1

Aneet Shah of RBC I&TS discusses how to manage the transition

Luxembourg Spotlight

Funds centre drives advances in sustainability and fintech

SmartStream launches Eligibility API for collateral

SmartStream Technologies has launched a new solution for faster collateral management optimisation. Eligibility API is a platform for clients to receive eligibility information contained within collateral agreements such as credit support annex, global master repurchase agreements and overseas securities lenders' agreements, for both pre- and post-trade collateral optimisation.

With the Eligibility API solution, SmartStream will provide firms with a way to publish eligible collateral for each legal agreement, which can then be consumed by their optimisation engines.

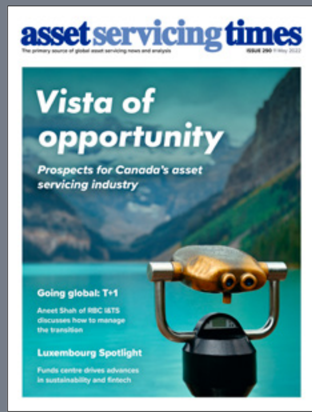
SmartStream's new application programming interface (API) allows fast and easy access to collateral, including the ability to upgrade. In addition, the new solution allows the sourcing of eligibility information in real-time.

With the impending Uncleared Margin Rules (UMR) phase 6 regulatory regime being implemented in September 2022, volumes of margin calls are expected to increase and there will be an inevitable squeeze on assets being pledged as collateral, says SmartStream.

This will result in a rise in demand for high quality liquid assets (HQLA), it adds. In addition, with interest rates forecast to rise, firms are looking at pre- and post-trade optimisation to support efficient use of scarce HQLA and cash.

Jason Ang, programme manager, collateral management at SmartStream, says: "We realise the UMR deadline is fast approaching, and we have made it easy for clients to deploy our new solution, and to manage future versions without the need for lengthy implementation projects.

"Having a public API strategy lowers the cost-of-ownership of the collateral solution. The demand for this new API is high and we are having conversations with the major banks on how they can use our eligibility to optimise their collateral in preparation for the future." ■



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Published by Black Knight Media Ltd

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DTCC evaluates risks presented by “interconnectedness” in global finance

DTCC has published a white paper outlining the dangers of interlinkage between systemic risks confronting the global finance industry and the threat of contagion that this “interconnectedness” may present.

The paper highlights a series of risks that have become prominent in global financial services and must be under constant scrutiny from risk managers. This includes increased risk of cross-border financial exposures that make countries that are dependent on foreign capital more exposed to systemic shocks. Although by no means a new trend, DTCC indicates that the risk teams must monitor the evolving nature of this threat.

DTCC also identifies vulnerabilities presented by the adoption of new fintech innovations, including distributed ledger technology and the growth of cryptocurrencies, which are increasingly interlinked with other elements of the financial ecosystem.

Additionally, DTCC highlights the rising importance of non-bank financial intermediation (NBFI) as a potential channel of risk transmission, a theme that has attracted close attention in recent times from the Financial Stability Board and other bodies monitoring risk concentrations in the global financial system.

As a fourth factor, the white paper focuses on the industry’s greater reliance on use of third-party service vendors, alongside risks presented by the increase in volume and sophistication of cyberattacks.

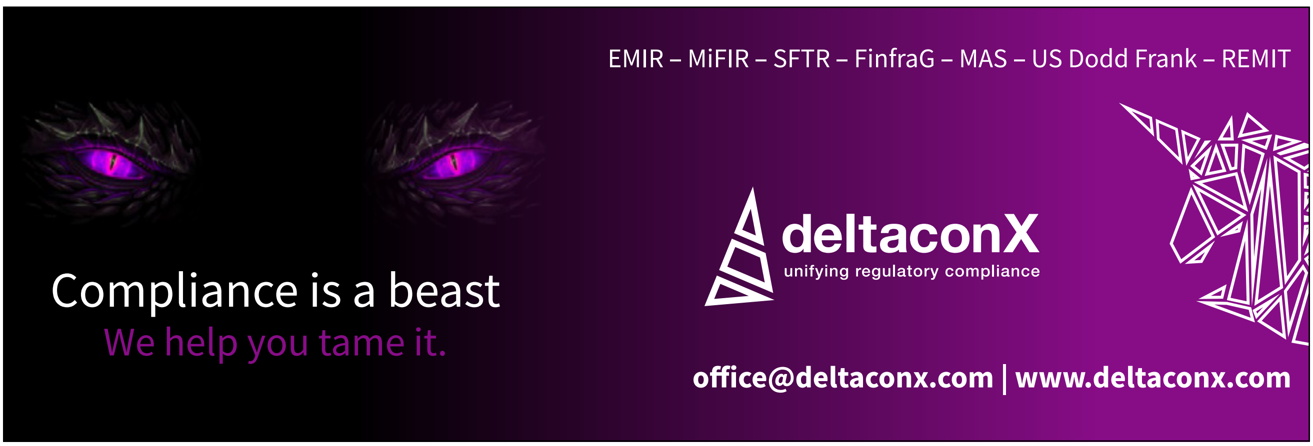
This paper, Interconnectedness Revisited, builds on themes addressed in DTCC’s 2015 white paper, Understanding Interconnectedness Risks, which shone a spotlight on dangers of contagion and interconnectedness within the global financial system, highlighting that the failure of a large financial entity could trigger financial instability worldwide.

Inevitably, these risk threats have important implications for global financial infrastructure providers. DTCC outlines a series of steps it is taking as a major global post-trade infrastructure specialist to mitigate these concerns.

This includes implementing agreements between DTCC clearing entities and other financial market infrastructure to limit the risk connected with the insolvency of a common member. It also includes developing a rigorous and comprehensive framework to identify and manage risks associated with the interconnectedness of clearing entities, trading venues and financial market utilities.

Reflecting on these issues, DTCC managing director and chief systemic risk officer Michael Leibrock says: “An interconnected system is both beneficial and challenging. While interconnectedness can provide firms [with] operational inefficiencies and other benefits, it is important to recognise that they may also pose certain risks.

“Given the increasing complexity of the global financial system, it is more crucial than ever that firms continue to evolve their approach to managing risk, ensuring they are taking a holistic, comprehensive view of all the relevant factors.”



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DTCC systemic risk executive Adrien Vanderlinden adds: “Staying on top of emerging threats requires constant vigilance. Firms should adopt a multidisciplinary approach that leverages insights from a diverse group of subject matter experts while ensuring close coordination between stakeholders. In support of this, we invite clients, market participants, and members of the industry to share comments and feedback with us to foster collaboration and information sharing, which are critical in a complex risk environment,” says Vanderlinden.

Liontrust Asset Management renews contract with SS&C Technologies

UK-based Liontrust Asset Management (LionTrust), the specialist fund management company, has extended its mandate with SS&C Technologies (SS&C), following LionTrust’s recent acquisition of Majedie Asset Management. As part of the extended mandate, Liontrust will now use SS&C’s Eze Investment Suite to help manage the majority of its £38.5 billion in assets under management and advice.

Liontrust, which was launched in 1995, has been using Eze Investment Suite’s advanced order and execution management capabilities to support its operations since 2016.

More than 20 users will transition onto Eze Investment Suite following the acquisition.

Ross Carmichael, chief technology officer at LionTrust, says: “We are pleased to extend our relationship with SS&C to accommodate the growth in our business. Eze Investment Suite allows us to seamlessly scale as our business grows. In addition, SS&C’s team provided expert support during onboarding, ensuring a smooth transition.”

Michael Hutner, general manager of SS&C Eze, comments: “We are excited to support Liontrust with the latest expansion of their business. Liontrust has grown significantly since they first came on board six years ago.”

“We look forward to continuing to support their growth initiatives with the latest technology advancements and expert service.”

Deutsche Börse to provide derivatives market data from CME Group on A7 Analytics platform

Deutsche Börse is expanding the market data offering on its cloud-based online analytics platform, A7, to include historical market data from global derivatives marketplace, CME Group.

Historical data from CME Group will be available daily on a T+1 basis, and will initially include data from each of its four designated contract markets — the Chicago Board of Trade, Chicago Mercantile Exchange, Commodity Exchange and New York Mercantile Exchange.

Through the initiative, users of A7 can simultaneously access extensive market data from Eurex, Xetra and EEX to trade more efficiently or to develop and test execution algorithms more easily, says Deutsche Börse.

The initiative is Deutsche Börse’s response to customer requests for comprehensive market data that they can access via a single interface.

Deutsche Börse and CME Group recently reached a licensing agreement, which will enable market participants to test their trading strategies and make informed trading decisions by subscribing to market data sets from exchanges via the A7 platform.

The new data sets from CME Group will be available from June of this year.

Deutsche Börse's analytics platform, first launched in July 2020, is built directly into the clients' front-end without the need to operate their own data warehouse to access analytics.

Alireza Dorfard, head of market data and services, says: "Our customers have a strong demand for data on global derivatives markets. Through the cooperation with CME Group, they can now obtain and analyse this data easily and promptly via A7. We will continue to expand our data offering to meet the needs of our clients."

Trey Berre, global head of data services at CME Group, comments: "This robust combination of data and analytics, accessed through services like Deutsche Börse's cloud-based platform, enables a broader community of investors to identify actionable insights with greater speed and less complexity."

LGT Bank selects SEBA Bank for digital asset custody and brokerage services

International financial services provider LGT Bank has selected SEBA Bank to provide its digital asset custody and brokerage services, as part of an initiative to launch digital asset custody and trading services for its clients. LGT Bank will initially offer investment services for Bitcoin and Ethereum. LGT Bank's digital asset investment services will be fully integrated with traditional assets, enabling SEBA Bank's clients to incorporate crypto into their existing portfolio.

LGT Bank's digital asset investment solutions will initially be available to selected client groups of LGT Bank, Liechtenstein.

Clients must be domiciled in Liechtenstein or Switzerland and be classified as professional clients or be managed by an external asset manager to access services.

SEBA Bank already offers a crypto yield offering, SEBA Earn, and the SEBA Gold Token, a digital token backed by physical Swiss gold.

Commenting on the LGT mandate, Franz Bergmüller, CEO at SEBA Bank, says: "The range of services combined with the highest security standards makes SEBA Bank's service offering unique and we are very pleased to be able to support LGT with our expertise in expanding its services around digital assets."

Roland Matt, CEO of LGT Bank, Liechtenstein, adds: "The demand for cryptocurrencies has increased among our clients in recent years and we are very pleased that we can now offer our clients easy access to this asset class. Thanks to our cooperation with SEBA Bank, our clients' digital assets are held in the custody of a professional and certified provider with extensive experience in this area."

Burkhan subsidiary leads GMEX investment round

Tempus Network, a wholly-owned subsidiary of Burkhan World Investments, will lead the institutional investment round into GMEX Group, a provider of digital business and technology solutions for capital markets participants, exchanges and post-trade market infrastructure. The investment round will be completed via Tempus Network's special purpose vehicle in United Arab Emirates, alongside key Middle Eastern investment institutions. Tempus Network is a new patent pending model of income generation for data users. Under the partnership, this will be combined with GMEX's MultiHub platform to integrate traditional and decentralised finance. The strategic investment will see Burkhan and GMEX jointly develop various platforms and projects for digital financial services, commodities and sustainability markets in the Middle East and North Africa (MENA) region.

Commenting on the investment, Shahal Khan, chairman of Burkhan and Tempus Network, says: "This strategic partnership between GMEX and the Burkhan ecosystem, including its Tempus Network, is designed to meet the expectations of institutions, millennials and Generation Z.

"It serves the goal of bringing digital assets to a wider audience in decentralised and centralised environments as part of a hybrid approach to allow new economic growth to be achieved."

Hirander Misra, chairman of GMEX Group, adds: "Our collaboration with Burkhan focuses on the creation of various digital exchange ecosystems and joint ventures in the MENA region. It will deliver interconnected digital infrastructure hubs with global two way distribution. This will leverage GMEX technology and its MultiHub in conjunction with Tempus Network and synergise with other fintechs both through partnerships and investments."

The deal is expected to close in June 2022, pending necessary approvals. ■

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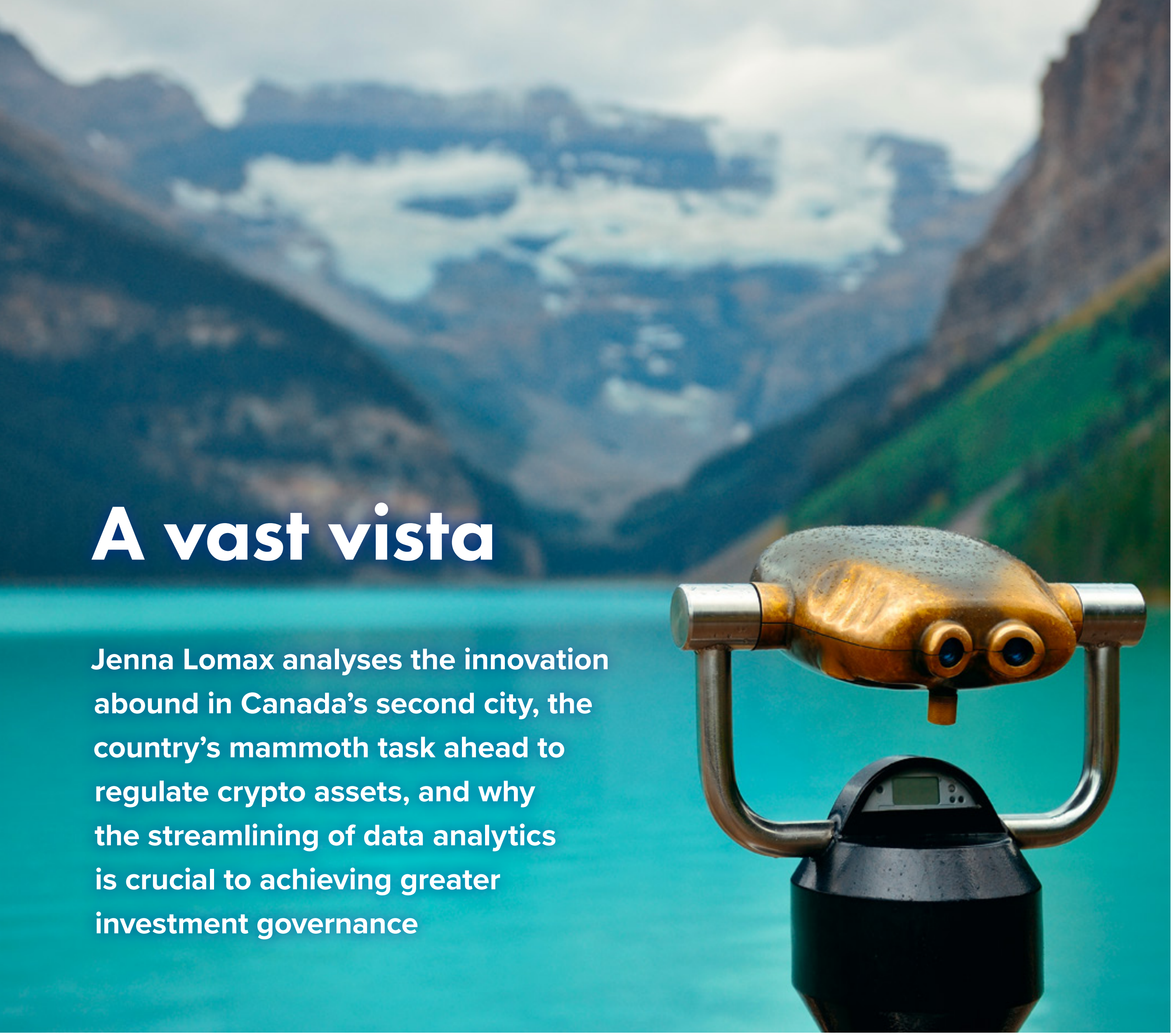

A vast vista

Jenna Lomax analyses the innovation abound in Canada's second city, the country's mammoth task ahead to regulate crypto assets, and why the streamlining of data analytics is crucial to achieving greater investment governance

Home to an exquisite landscape of ethereal forests and vast lakes, Canada also hosts vistas of opportunity in the field of asset servicing.

After years of crafting and developing a robust financial market, Canada now possesses, among its many attributes, a strong governance of investment structures that are admired globally, as well as a collaborative mindset toward technological innovation.

Of course, Canada does not sit in a vacuum; this is evident when external global factors have contributed to its defined benefit pension plans closing the first quarter of 2022 in the red — with a median return of -5.5 per cent.

The reasons for this are twofold: record high inflation, and the Russian invasion of Ukraine, outlines RBC Investor & Treasury Services (RBC I&TS).

By no means taking away from the very human horrors of the latter, both international reasons have had a major impact within the country's asset management industry. Institutional investors are looking for a safe asset haven for higher returns, while trying to protect themselves from rising inflation.

"The market experienced growing economic and geopolitical uncertainties during the first quarter of 2022," observes RBC I&TS' Niki Zaphiratos, managing director, asset owners. "Russia's

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invasion of Ukraine has amplified existing investor anxiety over growing inflationary pressures and the COVID-19 crisis," she adds.

Despite these external factors affecting the front-office, Canada's back-offices still house proven data infrastructures and efficient settlement mechanisms.

There is also a balance of controlled innovation paired with technological advancement — in addition to collective knowledge there is always more to be learned in this space.

As Darrell Campfield, vice president of Canadian business development at Broadridge Financial Solutions, says: "Canada has to recognise that the democratisation of investor options and convergence of banking and wealth really reflect the investor and consumer landscape. Investors are looking to play more active roles in their investment choices and have more options in portfolio content."

This expectation, Campfield adds, "leads dealers to be looking to find new ways to meet investor needs, and deliver broader and higher-value services through digital channels."

In Canada, a willingness to invest in such digital channels that enable levels of greater efficiency is underpinned by a well-evolved, but adaptable, regulatory framework.

This is in addition to a sincere consideration for ethically- and sustainably-guided investment governance, in line with the country's liberal leanings.

A green view

Just like every other major jurisdiction would be in a modern, regulated market, Canada has promised its own ESG targets on both an international and domestic scale. In September 2015, Canada and all other 192 United Nations Member States adopted the 2030 Agenda for Sustainable Development at the UN General Assembly — a global call to protect the planet, pledging to make significant changes to promise this by 2030.

Like much of the wider financial industry, Canada is using data analytics to its advantage to strengthen its ESG initiatives and institutional investment. In Canada, it is the "G" element that holds weight when considering the relevance to asset servicing.

"Our I&TS clients are seeing investment governance as a core priority along with ESG and data analytics, and our current initiatives include digitising the client onboarding process in an effort to increase timeliness of onboarding and improve the overall client experience," outlines RBC I&TS' Zaphiratos.

However, Canada is not just concentrating on the "E" of ESG, but also the "S" — the social and societal aspect.

"Institutional investors look to their asset servicing providers for local insights, a consultative service experience, and to proactively explore new solutions to help clients achieve their goals," highlights Lloyd Sebastian, vice president of global financial institutions at CIBC Mellon.

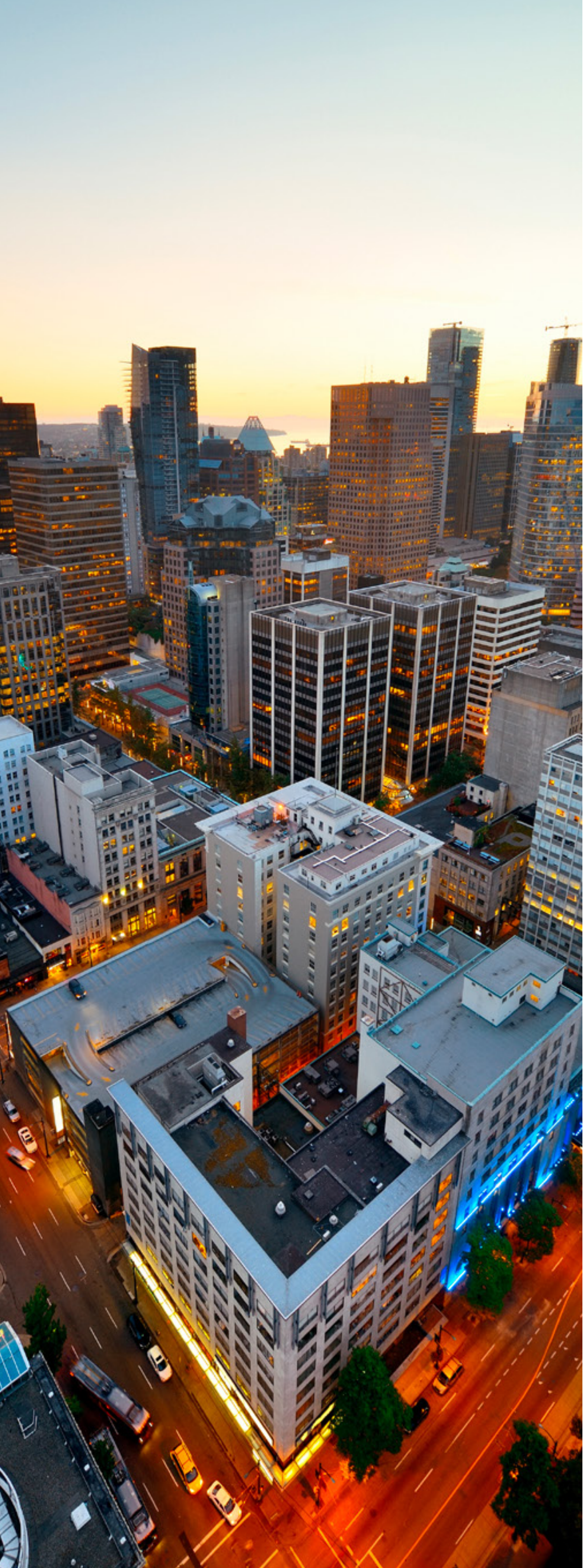
Therefore, he says: "One of the most important investments in an organisation is into its people. The "S" in ESG increasingly focuses on how an organisation treats its own employees."

He adds: "The outlook for 2022 is one where employees, workforce and talent are rapidly coming into sharper focus. Firms are looking to build and reinforce an engaged employee culture that is collaborative, insightful, and puts clients at the centre."

In the city: Toronto

Canada's bordering neighbour, the US, became the world's main victim of the Great Resignation last year. The phenomenon, which saw the US workforce leave their jobs in droves, witnessed the country lose a "historically high" 4.3 million workers, as of December 2021. Yet, thanks to years of investment from local universities, government agencies and business leaders, as well as Canada's liberal immigration policies, Canadian banks and vendors may not need to worry about this statistic too much when Canada's financial sector has the pick of a well-educated and diverse population to fill their offices.

To boot, Canada's second city, Toronto, is now the third-largest tech hub in North America, according to the New York Times.



It is actually home to more tech workers than Chicago, Los Angeles, Seattle and Washington D.C, according to CBRE, a real estate company that tracks tech hiring — a promising and reassuring statistic for the asset servicing-related challenges that may lay ahead for Canada.

Therefore, not just in Toronto, but across the cities of Canada, "managers [are] digitising manual processes and leveraging advanced technology such as artificial intelligence and data analytics to improve efficiency and enhance the client experience," observes RBC I&TS' Zaphiratos.

Providing better information is of course not just essential to the clients' experience, but also to advisors, which can only enhance data accuracy while making sure it is accessible to the right teams in-house, and at the right time. This has become an everyday experience for many back-offices and technology vendors, thanks to the country's technological strengths.

"Canada, with its well-educated and technology-savvy workforce can be a vital and essential force in the global asset servicing industry," says Katie Pries, president and CEO of Northern Trust Canada. "Our workforce is adept at developing and delivering novel tools and solutions to the marketplace."

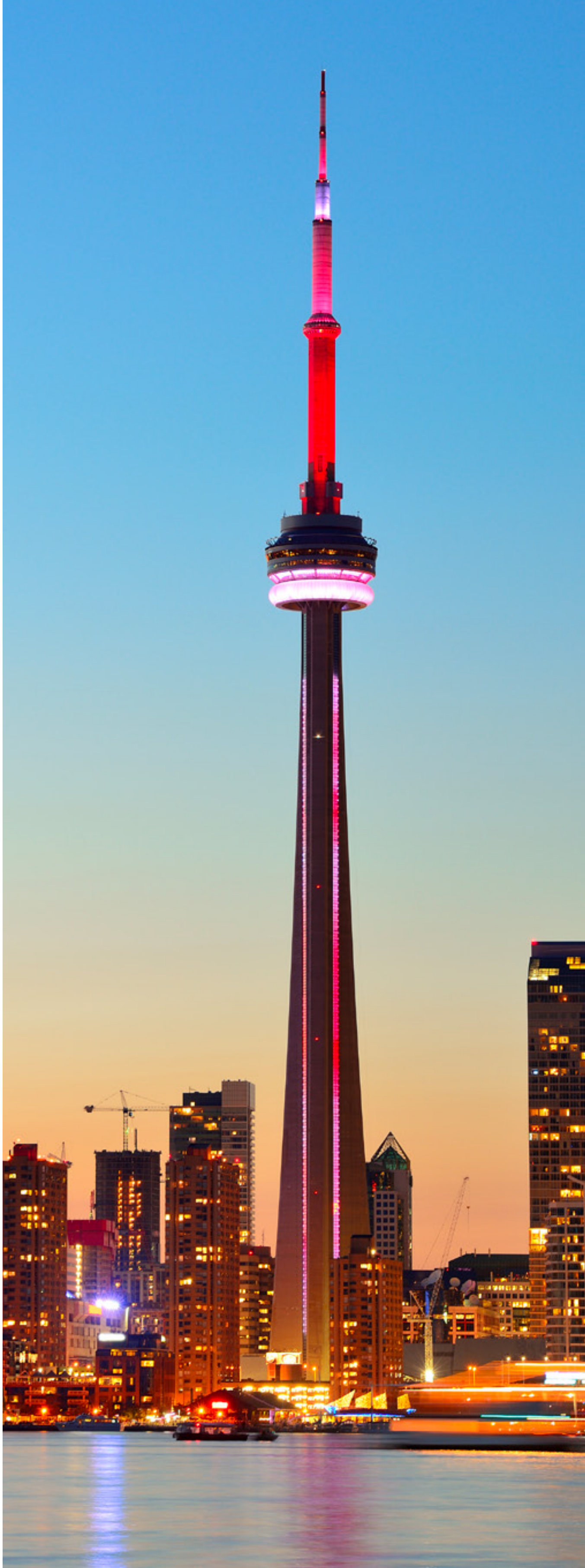
On the horizon

One asset class dominating the marketplace in recent years is of course digital assets, whether it be non-fungible tokens, Blockchain or Ethereum. Canada's financial regulators are no different from the rest of the world's in treading carefully when having to consider this relatively new phenomenon.

For its part, Northern Trust's Pries says Northern Trust Canada is "committed to developing solutions that allow institutional clients to benefit safely and securely from the digital transformation of asset servicing."

"We have taken an agile approach to creating financial industry applications for emerging technologies," she adds.

Though many countries are yet to produce a definitive framework or standardisation of rules around the sometimes mysterious and



murky world of digital assets, Canada is at the forefront in setting the rules to monitor against rogue instances. Canada is notoriously well-regulated with cryptoasset service providers that enable crypto transactions, all of which are required to register with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) as a money services business. From there, they are subject to the anti-money laundering monitoring and reporting rules set out in FINTRAC's guidance.

Currently, cryptocurrencies in Canada are not trading in securities. And the question remains as to whether Canadian authorities will one day make them so. Like many financial initiatives in the country, the endgame is to increase opportunity for betterment, and wherever possible for institutional investment, of course.

"As the approach by regulators toward oversight matures in Canada and globally, it will provide institutional investment and servicing with greater clarity and certainty," voices Paul Folk, managing director, head of asset managers, client coverage at RBC I&TS.

The path ahead

Living up to its reputation as an outward-looking country and to answer the call of its international responsibility, Canada has offered a loan of up to CAD$500 million to the Government of Ukraine in response to the Russian invasion, in addition to a CAD$120 million loan through the Sovereign Loans Program to support the country's economic resilience and governance reforms.

Canada has also offered a technical assistance grant of up to CAD$6 million to support the loan's implementation.

Amidst this conflict and upheaval, CIBC Mellon's Sebastian highlights that, despite the past two years having brought about "challenging circumstances for markets, investment operations and for many individuals", both Canadian and international market participants and stakeholders "have worked hard to deliver on the fundamental themes that distinguish Canada."

These themes are, concludes Sebastian: "confidence, stability and innovation." ■

A time of transition

Brian Bollen looks at Luxembourg's climate for foreign investors, the change of pace and direction needed for the country's fintech initiatives, and the wider economic strain impacted by the Russian invasion of Ukraine

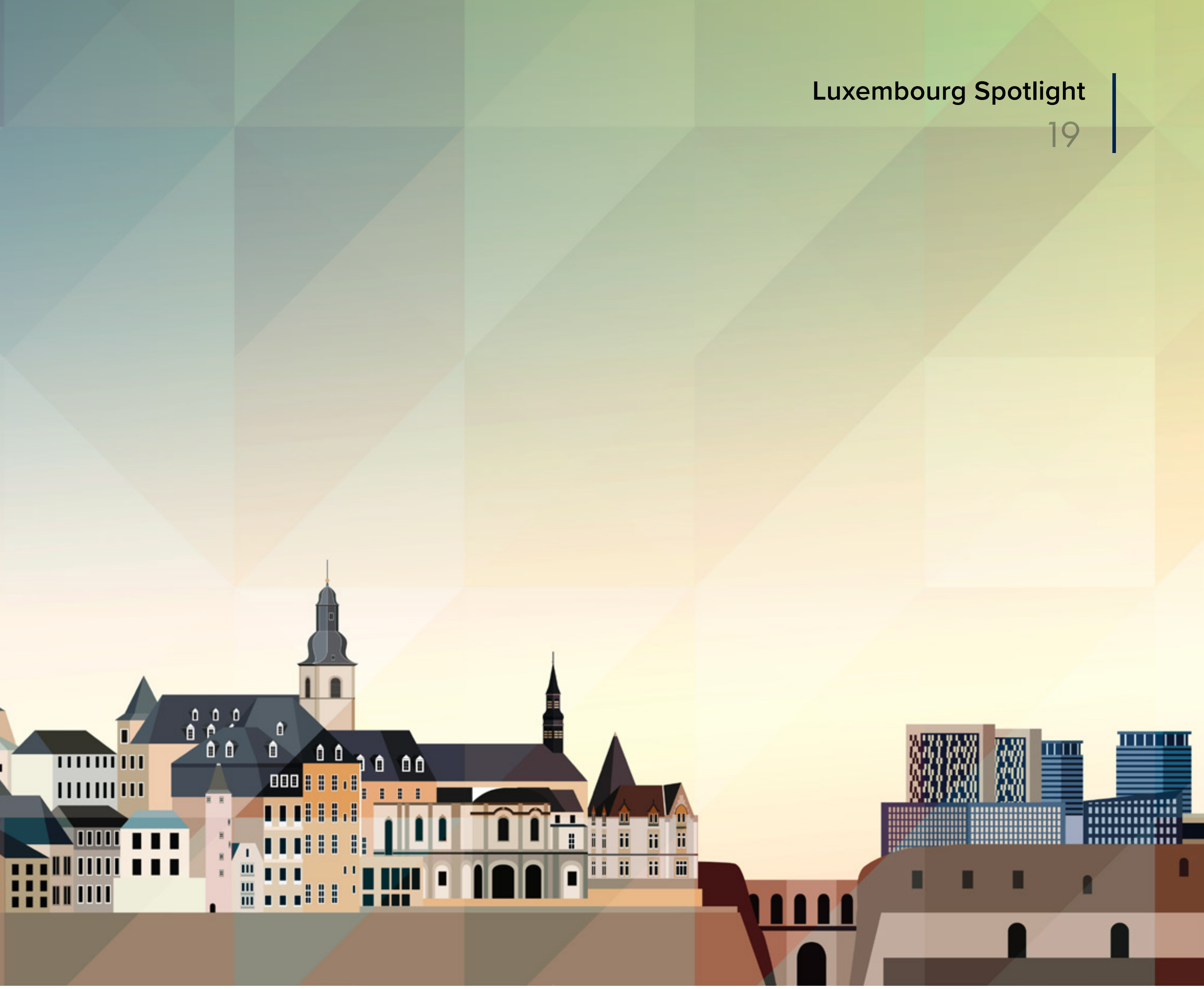
Luxembourg is not a tax haven. How often has each of us heard this, or a very similar assertion? The Association of the Luxembourg Fund Industry (ALFI) has made it perfectly clear that it does not regard its home territory as an offshore financial centre, and points to the official list compiled by Eurostat as evidence.

What might be stated without fear of contradiction, however, is that right now, foreign investment is a vast topic of interest in the country.

To understand more about Luxembourg's climate for foreign investment, we cannot ignore Eastern Europe. Of course, we all know that sanctions by the US, EU and UK, among others, have now been in place for months, following the invasion of Ukraine which began on 24 February, coupled with Russia's ensuing response in imposing its own economic measures on foreign investors.

Law firm K&L Gates can help with understanding this quagmire, as the firm's website contains a comprehensive two-part examination of the climate for foreign investment in Russia.

Part I of this study comprises a review of the US, EU and UK sanctions. Part II considers the Russian side of the coin, and concludes that many foreign investors are caught between the proverbial "rock and a hard place" as their investments in Russia



are negatively impacted by both international sanctions and Russia's own retaliatory economic measures.

K&L Gates' Singapore partner Raja Bose, London partner Ian Meredith, Singapore senior associate Robert Houston, and Doha senior associate Hena Sial, state they are advised, uncontroversially enough, that protecting foreign investment in Russia is likely to be a challenging exercise for the foreseeable future.

"It is also important, however, for investors to take all prudent steps to preserve information in connection with their investments in Russia urgently, considering carefully the potential of investment treaty arbitration to provide a future remedy in the event a covered investment is ultimately lost or devalued as a result of Russian economic measures.

"While in some instances insurance may offer some potential means of obtaining compensation for losses, coverage may be limited and, given the level of exposure, insurers can be expected to seek to deny coverage, forcing policyholders to seek redress through litigation or arbitration.

"In the end, seeking relief through investment treaty arbitration (with or without third-party litigation funding) may be an investor's only remaining option," say the K&L Gates team.

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ESG

If we cast our minds back to March, ALFI held the European Asset Management Conference — the first large-scale ALFI funds event with a substantial in-person presence since the autumn of 2019. The agenda was strongly focused on the sustainability transition and its impact on the fund industry. Sustainable fund assets totalled €4 trillion at the end of last year, according to financial services firm Morningstar, but despite this, ALFI chair Corinne Lamesch noted that asset managers face a range of challenges.

Lamesch told the conference audience: “There is concern about the use of Sustainable Finance Disclosure Regulation (SFDR) categorisations under articles 8 and 9 as labels, which was not intended.

“We, at ALFI, urge all fund boards to integrate ESG factors into their business models, rather than being passive and waiting for the next round of regulation. Asset managers need to empower investors to plan for their future wellbeing, including sustainability objectives.”

Luxembourg’s finance minister, Yuriko Backes, told the same audience that while the fund industry remains a central pillar of the economy, there are clouds on the horizon, including economic uncertainty worldwide and at home, one of which, there are no prizes for guessing, begins with the letter “R”.

“Even if Luxembourg is only marginally exposed to the Russian economy and clients, sanctions will have a cost through higher inflation, rising energy costs and slower growth,” Backes said.

In this environment, CEOs of asset managers active in Europe see new challenges arising to meet changing customer demand.

“One impact of quantitative easing is a shift toward outcome-oriented investing, which involves certainty of returns but also ESG requirements,” said BNY Mellon Investment Management’s Hanneke Smits. “This requires a combination of human capital and the power of machines.”

ALFI deputy director general Marc-André Bechet indicated that while the industry complains about the burden of regulation, it remains inescapable. He noted, for example, that while the EU’s Alternative Investment Fund Managers Directive was widely decried at the outset, it now enjoys widespread acceptance among industry members. Nevertheless, he said, national markets led by France and Germany still outweigh cross-border alternative fund business.

Bechet also alluded to the fact that over the past 10 years, business costs have increased while fees have dropped — from 200 to as low as 50 basis points for active equity funds.

Any experienced market participant or observer knows that the traditional response by asset managers, custodians and fund administrators to such a scenario has been to focus on doing more for less: increasing assets under management and administration through organic growth and acquisition, and increasing efficiencies, both through human endeavour and increased automation.

Fintech initiatives

The continuing developments in the financial technology sector will have a role to play in Luxembourg as elsewhere, but the sector could be a victim of its own success.

The global fintech sector saw a 182 per cent increase in tech job growth for the first quarter of 2022 — with the top eight fintech ‘mega-hubs’ accounting for over 90 per cent of all new fintech jobs advertised around the globe, according to recruitment firm Robert Walters’ Global Fintech Talent Report.

This report highlights how the fintech industry is one of the fastest growing sectors post-pandemic. However, it also outlined the sector will face major hurdles this year as an acute technology talent shortage around the globe will threaten to halt the growth.

“The forecast for organisations working in the global fintech market is a very positive one, however, their growth will be dependent on their ability to recruit and retain the right technology talent,” says Toby Fowlston, CEO of Robert Walters.

“The most advanced economies have long-established that they cannot be ‘good at everything’ and instead have focused their efforts in becoming specialists in a few core areas. For example

— you have Germany for engineering, China for manufacturing, and the UK for banking. But no country quite has a dominance over technology and, given the remote and mobile nature of the technology industry, it seems that all major economies are competing for a slice of the fintech pie," he adds

Returning to the subject of Russia Claude Marx, CEO of Luxembourg financial markets regulator Commission de Surveillance du Secteur Financier (CSSF), put the Luxembourg fund industry's exposure to that country into perspective at the ALFI event, when he stated some €18.2 billion in assets are affected, but that actually counts for less than 0.3 per cent of the sector's total. In addition, he said that is mostly denominated in Roubles and around two-thirds consists of equities.

Marx warned conference participants of the importance of financial players notifying any sanctioned assets and investors. "It is not just about the reputation of institutions but of Luxembourg as a whole," he voiced. "I do not want to read about it in the next International Consortium of Investigative Journalists disclosures."

A top priority for the CSSF is overseeing the implementation of the SFDR rules, including the more detailed level 2 requirements due to take effect, belatedly, at the beginning of 2023, along with the EU green investment taxonomy.

Noting that greenwashing means not correctly reflecting the sustainability profile of an issuer or portfolio, Marx said it encompasses the regulatory breaches mislabelling, mis-selling and misrepresentation.

He urged institutions not to spend too much time trying to unravel the "inconsistencies and imperfections" of the legislation but "to focus on what is clear and well-defined, defining data sources and preparing systems." To this, he added: "We [the regulators] will not expect the impossible."

What's ahead?

In the broadest sense, the sustainability of Luxembourg's financial industry depends on its ability to attract and retain the talent it requires to meet future challenges, always a significant issue because of the country's restricted demographic resources, but now more acute because of increasing demand for compliance, IT and now, sustainability specialists.

At the ALFI Conference, the state employment department's director Isabelle Schlesser said: "We need to be clear about what kind of talent is needed and how we develop the capabilities of people already here. Some jobs will disappear, and others will change very much, so we should be focusing on upskilling and reskilling."

Luxembourg's fund industry faces an exceedingly wide-ranging set of challenges, from the burden of regulation and compliance to the demands of a complex economic transition, along with the urgent task of channelling investment into the economy at a time when the market is become more diverse and fragmented — on top of the strains of geopolitical turbulence and armed conflict in Europe. But it is in these circumstances that the need for a strong and competitive fund industry is greater than ever.

"There is little doubt that the current macropolitical and economic situation presents interesting issues for investors, custodians, fund administrators and others to consider," noted one industry delegate at the ALFI Conference. "We will be watching developments with close interest." ■

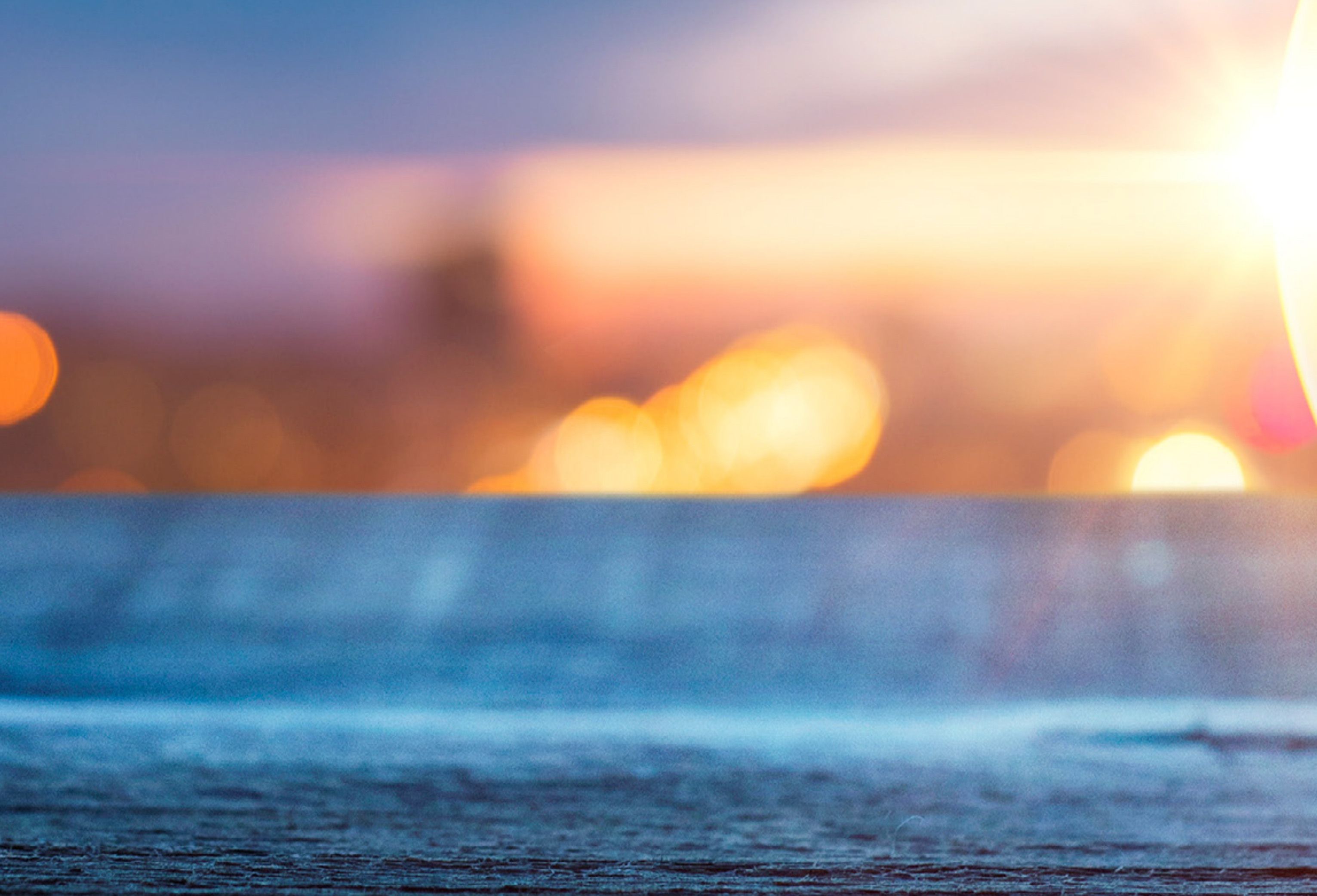
ALFI and EFAMA figures

ALFI figures show that net assets of undertakings for collective investment amounted to €5.545 trillion at the end of February 2022 (compared with €5.098 trillion at end-February 2021, a growth rate of 8.92 per cent over the 12 months); the comparable figure at end-December 2021 was €5.859 trillion).

Meanwhile, the European Fund and Asset Management Association investment fund industry fact sheet to the end of February 2022 showed the UCITS net asset total for Luxembourg was €4.6 trillion (down just over €23 billion a month earlier), while alternative investment funds totalled €939.9 billion (down €3.4 billion).

The global impact of T+1

As more markets — namely the US, Canada and India — look to shorten their trade settlement cycles from a T+2 model to T+1, Aneet Shah, managing director and head of custody product and network management at RBC Investor & Treasury Services, shares his insights on how market participants can manage the transition



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The US and Canada bide their time on T+1 implementation, while India pushes ahead

India recently began phasing in a rolling T+1 settlement cycle, starting with the bottom 100 stocks by market.

This change suggests that all publicly-traded securities in India will be traded on a T+1 basis within the next 18 months to two years.

In contrast, the US and Canada — both of which have announced that they will transition to T+1 — are not planning to change their settlement cycles until 2024.

T+1 will spur risk reduction, enhanced liquidity and greater innovation

Risk reduction — especially given the volatility sweeping through securities markets today — is one of the primary benefits of moving to a T+1 model. Optimisation of the settlement cycle will help market participants reduce their risk exposures, prior to the exchange of cash and securities between trading counterparties.

Faster settlements will allow cash to be released quicker into the financial system, thereby driving up liquidity. A faster settlement cycle could additionally help strengthen market infrastructures as it will encourage participants to modernise their systems and processes by embracing innovative technologies.

The pivot to T+1 will create challenges for market participants

Shorter settlement cycles create operational complexities for trading counterparties.

A shorter settlement cycle will result in higher trade settlement fail rates in the short- to medium-term, although this should improve over time. With penalties being imposed for trade fails under the EU's Central Securities Depositories Regulation, this is something firms need to be aware of.

The transition to T+1 may be disruptive for allocations and affirmations, securities lending and corporate actions.

> ***"T+1 settlement cycle could put pressure on the securities lending business to ensure timely recall of securities on loan or buy to cover"***

For example, a T+1 settlement cycle could put pressure on the securities lending business to ensure timely recall of securities on loan or buy to cover. It may also have an impact on income distributions. The ex-dividend date will now take place on the record date of the event, as opposed to just before the record date.

Market fragmentation is not a problem

Market fragmentation is not a problem, but financial institutions need to think about how they manage their foreign exchange (FX).

Financial institutions have a long track record of operating in an environment where settlement cycles in different countries are not synchronised. Accordingly, the risks of some markets shifting to T+1 while others retain T+2 or T+3 should not be met with alarm.

Custodians have the ability to support clients trading in multiple markets and running on different settlement cycles. However, the divergent time zones might create complications in FX management as this could force firms in different markets to pre-fund their trades in T+1 countries, unless they are long currencies in those particular jurisdictions.

Firms must optimise their FX management processes. This can be done either through engaging with an FX settlement support provider or by tightening up FX booking instructions to avoid the need to pre-fund transactions. Such actions will be vital, as pre-funding can mean that financial institutions' cash is tied up in the trade settlement process, instead of being properly invested and producing returns.

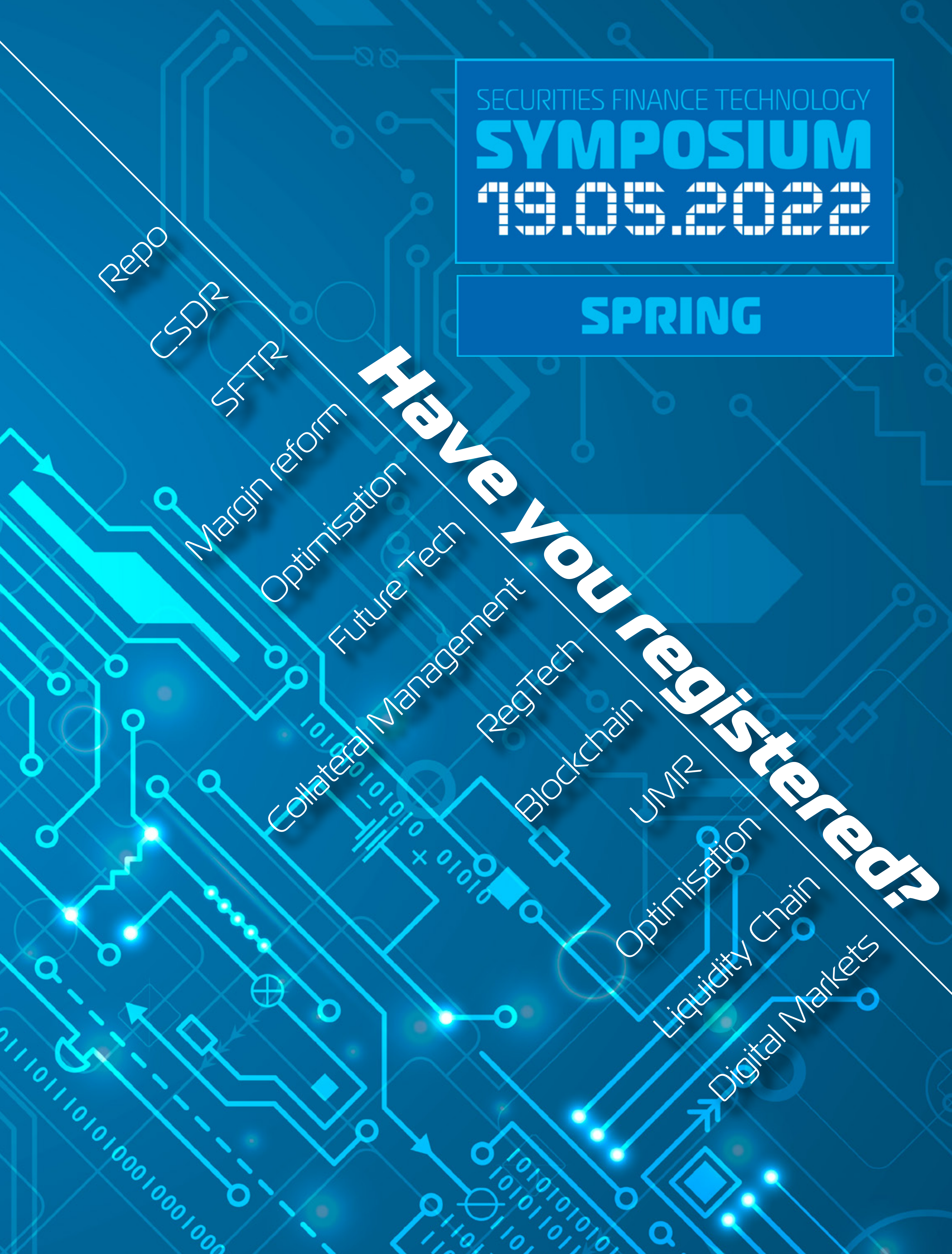
Further compression of the settlement cycle is likely

A move to "T" is not out of the question as several markets already adopt this cycle — most notably the northbound leg of Hong Kong's China Stock Connect.

Atomic settlement is possible through the deployment of new technologies such as application programming interfaces, blockchain, central bank digital currencies (CBDCs) and stablecoins, in addition to working towards a single source of truth or 'golden source data' that can be shared securely across the value chain.

Blockchain allows for the real-time transmission of data while CBDCs would ease some of the FX challenges faced in today's cross-border settlement processes. ■

Aneet Shah
Managing director and head of custody product and network management
RBC Investor & Treasury Services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"Joining Sionic presents an amazing opportunity to be part of an organisation in rapid growth mode"

Sionic appoints Robert Bing as partner

Global financial services consulting firm Sionic has appointed senior business strategist Robert Bing as a partner. Bing's appointment is part of Sionic's wider effort to expand its focus on client lifecycle management (CLM) for the US market.

Based in New York, Bing will be a partner in Sionic's banking and markets practice.

Bing has more than 20 years' experience working with financial institutions across the US and Europe. Before joining Sionic, Bing served as a strategic management consultant at Reference Point, a New York-based business consulting service.

Prior to that he served at HSBC, most recently as chief administrative officer from 2019 to 2020. Before that, he was head of CLM and US country head at HSBC from 2016 to 2019, head of business management from 2014 to 2016, and head of business risk and control management from 2011 to 2014.

In his early career, Bing worked in the litigation and dispute practice in the financial advisory services group, Deloitte & Touche.

Commenting on his new role, Bing says: "Joining Sionic presents an amazing opportunity to be part of an organisation in rapid growth mode. I am very proud to be part of this organisation and I am looking forward to working with our talented team in identifying solutions and providing great value for our clients." ■

Data software company Xceptor has appointed Pete Daffern as non-executive company chair.

Daffern has more than 30 years of experience within the technology sector, having successfully grown numerous software businesses. Daffern was most recently CEO at analytics software company Foresee, before which he was president of computer software firm, Netsuite.

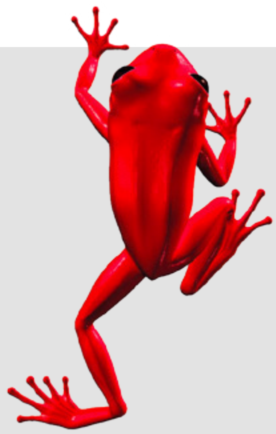
Daffern also holds board level positions at technology firms across Europe and North America, including Unily, Cognism, Amplience, Stylitics, Eloomi, and Peakspan Capital.

Commenting on his new appointment, Daffern says: "I am excited and honoured to take on this position at Xceptor. The company has one of the most transformational platforms I have seen in the banking, financial services and insurance space and I believe we can build on its already impressive growth."

Andrew Kouloumbrides, CEO at Xceptor, comments: "Pete's experience and outstanding track-record of scaling software businesses globally will be critical as our clients extend the use of the Xceptor platform across their enterprise."

Global fund, corporate and private client services provider JTC has appointed Elize Botha as managing director for South Africa.

Botha will be responsible for overseeing JTC's Cape Town office, which employs more than 180 people to provide support services to institutional clients in the global



asset management industry. The office was established in 2007 and became part of the JTC Group in 2015.

Botha brings more than 25 years' experience in financial services to the role, most recently as managing director of Old Mutual Unit Trusts, where she was responsible for all strategic, commercial and operational aspects of the business.

Before that, Botha led the global distribution and marketing function for Ashburton Investments across local and international channels, including the UK and Channel Islands.

She has also served at other South African companies including financial services company, Alexander Forbes and financial advice firm, Momentum.

Jonathan Jennings, group head of institutional client services at JTC, adds: "We are very pleased that Elize has joined us in South Africa and we look forward to her considerable experience of global financial services adding to our successful service offering from Cape Town. As a global professional services provider, our team needs to have the knowledge and expertise to deliver exceptional standards at all times and Elize is clearly an excellent addition."

Commenting on her new role, Botha says: "I am delighted to be joining JTC at an exciting time for the company globally and also in South Africa as it continues to develop its presence and client base. JTC already has an excellent reputation for client service and I am keen to ensure this continues and develops to add additional value throughout the institutional offering."

Citi has appointed Biser Dimitrov as global head of its DLT Center of Excellence.

Based in New York, Dimitrov has more than 20 years' experience in digital assets and the wider financial and technology sectors.

Prior to Citi, Dimitrov was director of product development and innovation at MasterCard from April 2020 to April 2022.

Before MasterCard, Dimitrov served at Tata Consultancy Services as enterprise blockchain architect from November 2018 to April 2020.

Dimitrov has also held senior roles at New York-based BlockEx, foreign exchange and derivatives trading platform provider, TRADOLOGIC and UK-based pharmaceutical analytics agency, NHiS Ltd.

Commenting on his new role via LinkedIn, Dimitrov said: "I am joining a great team and an amazing company and excited for all the work ahead of us."

GBST has appointed Kirsty Worgan as chief commercial officer.

Worgan returns to GBST after previously holding the role of head of business development for Europe, Middle East and Africa from 2007 to 2014.

Based in London, Worgan will join the executive team and will report to global CEO, Robert DeDominicis.

As chief commercial officer, Worgan will be responsible for delivering GBST's global growth strategy and leading the development and delivery of its wealth management commercial plans, working closely with DeDominicis and board.

In addition, Worgan will manage commercial growth opportunities, mergers and acquisitions, and assist with sales and product expansion.

She will also support regionally based leaders to drive adoption of GBST's back-office administration technology and tools and services for tax-aware investing and intelligent reporting, among other duties.

Prior to her role as chief commercial officer at GBST, Worgan was chief commercial officer at Smart Pensions from 2019 to 2022.

GBST is a specialist financial technology company that provides administration and transaction processing software for retail wealth management organisations and global and regional investment banks.

Commenting on her new role, Worgan says: "Having been part of the original team that helped establish GBST in the UK over a decade ago, I am excited to re-join the organisation. GBST has always been committed to continued technology innovation, but I have been particularly impressed by the significant investment and progress it has made in transforming its underlying product architecture over the last two years."

DeDominicis comments: "Kirsty is well-known and highly regarded across the industry, and I am delighted to welcome her back to GBST. Kirsty's extensive experience will be invaluable in accelerating our organic and acquisitive expansion plans." ■