asset servicing times

The primary source of global asset servicing news and analysis

ISSUE 300 28 September 2022

# Direct gateway to CEE

Raiffeisen Bank's Christian Geberth and Bettina Janoschek explain how the Russia-Ukraine situation is shaping daily business

## Settlement Cycles

AFME's Pablo Garcia evaluates the case for T+1 settlement

## EMIR REFIT

What will the proposed rule changes mean for the industry?

Broadridge

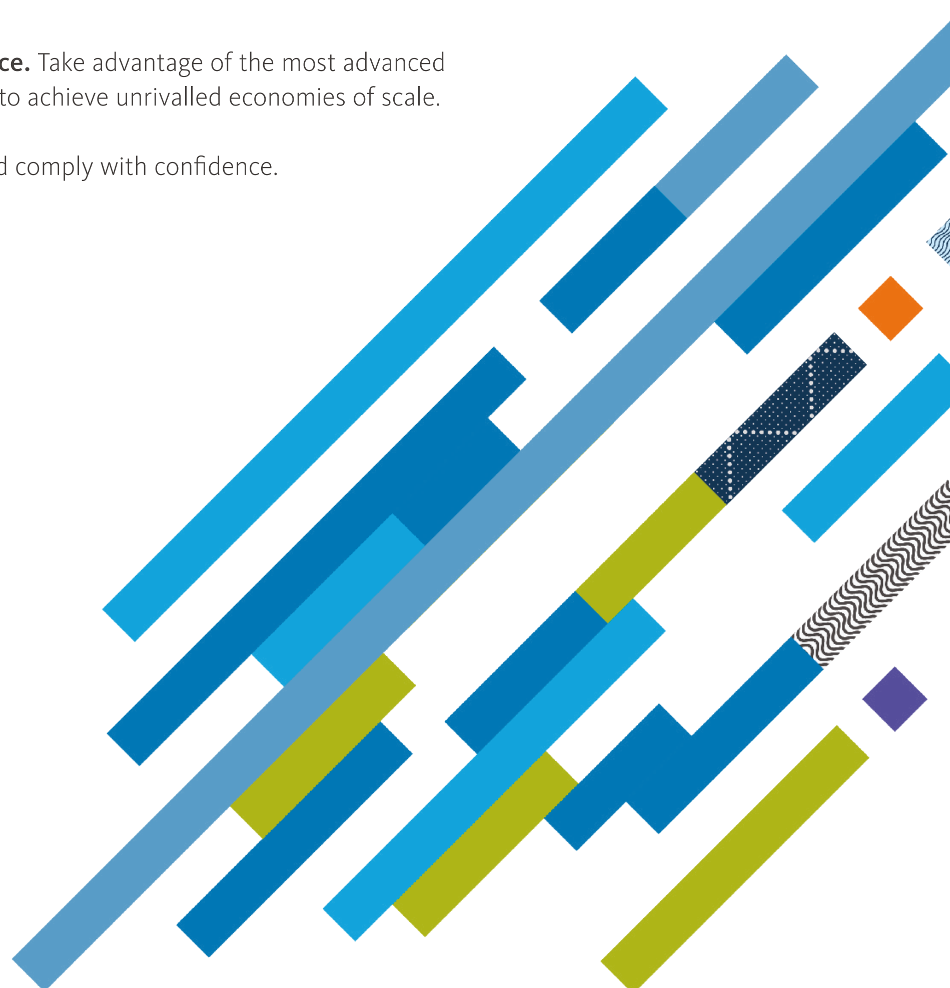
# Facing new obligations under the Shareholder Rights Directive?

## We've got you covered.

Our innovative solution for SRD II connects every market and intermediary—providing a single communication chain for all your proxy voting and disclosure requirements.

**Deliver a seamless shareholder experience.** Take advantage of the most advanced mobile apps, dashboards and technologies to achieve unrivalled economies of scale.

Transform shareholder communications and comply with confidence.



Communications
Technology
Data and Analytics

**Broadridge.com/SRD**

© 2021 Broadridge Financial Solutions, Inc., Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.

Ready for Next

## AccessFintech closes Series C funding round

Fintech and data services company AccessFintech has completed a US$60 million Series C funding round, led by growth equity firm WestCap. The funds will be used to accelerate AccessFintech's growth as it expands its collaborative data management network to additional markets.

Additional investment was secured from BNY Mellon and Bank of America, with further participation from Series B investors Dawn Capital, J.P. Morgan, Goldman Sachs and Citi.

AccessFintech's latest funding round follows a $20 million Series B and brings the total capital raised to $97 million since 2018.

Kevin Marcus, partner at WestCap and former president of capital markets company Ipreo, and Caroline Butler, global head of custody at BNY Mellon, will join AccessFintech's board of directors.

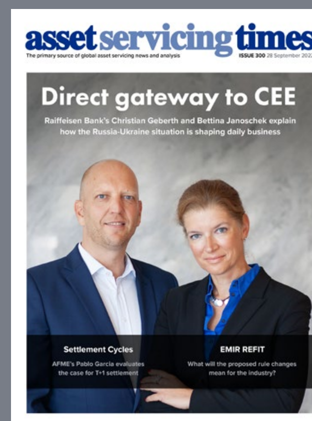
The funding comes during a period of growth for the firm. Synergy, AccessFintech's data collaboration network, has grown to include more than 100 participants and expanded its asset class coverage to include derivatives and syndicated loans.

It has also added to its securities offering by extending its lifecycle management through its new claims network and the launch of a predictive fails service.

The Synergy Network reduces transaction costs and compress fees through collaboration and accelerated workflows, and helps organisations to meet regulatory requirements.

Roy Saadon, CEO of AccessFintech, says: "We are fortunate to fuel our next stage of growth with partners that combine a highly regarded growth venture capital and global strategic investors.

"We share the vision of data being the catalyst for innovation and growth and the critical role AccessFintech plays as an essential provider of trusted data governance infrastructure. We are poised for a period of significant expansion and look forward to working with all our investors as we launch in additional markets." ■




asset servicing times

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

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

**Carmella Haswell** - *Reporter*
carmellahaswell@securitiesfinancetimes.com

**Lucy Carter** - *Junior Reporter*
lucycarter@blackknightmedialtd.com

**James Hickman** - *Lead Designer*
jameshickman@blackknightmedialtd.com

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

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

**published by Black Knight Media Ltd**
**copyright ©2022 All rights reserved**

ipopba by nattakorn/stock.adobe.com

# Contents



06 **News Focus**
FE fundinfo finalises acquisition of LuxSE's Fundsquare

06 **News Focus**
Deutsche Börse confirms creation of first digital instruments in D7

08 **News Focus**
Broadridge and Coinbase launch ITS

10 **News Focus**
Linedata and Liquid Mercury partner

12 **News Focus**
S&P Global's Sustainable1 releases new dataset

14
**Direct gateway to CEE**
RBI's Geberth and Janoschek on the group's innovation mindset

18
**Settlement cycles**
AFME's manager of post-trade, Pablo Garcia talks T+1

22
**Regulation Focus**
Increasing transparency in the over-the-counter derivatives markets

26
**Industry Appointments**
Northern Trust welcomes Michael Buzza

EXACTPRO INVESTS IN BUILDING
A FINTECH INNOVATION CENTER IN SRI LANKA
AI TESTING FOR MISSION CRITICAL INFRASTRUCTURES

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

SmartStream's fully integrated suite of solutions and platform services for middle- and back-office operations are more relevant than ever – proven to deliver uninterrupted services to critical processes in the most testing conditions. Their use has allowed our customers to gain greater control, reduce costs, mitigate risk and accurately comply with regulation.

With AI and machine learning growing in maturity, these technologies are now being embedded in all of our solutions and can be consumed faster than ever either as managed services or in the cloud.

Simply book a meeting to find out why over 70 of the world's top 100 banks continue to rely on SmartStream.

**info@smartstream-stp.com**
**smartstream-stp.com**

## FE fundinfo finalises acquisition of LuxSE's Fundsquare

FE fundinfo has finalised its acquisition of Luxembourg Stock Exchange's (LuxSE's) Fundsquare. Established by LuxSE in 2013, Fundsquare serves global asset managers and fund industry service providers, facilitating cross-border fund distribution. FE fundinfo is an independent provider of investment fund data and technology, serving fund managers, fund distributors, and financial advisers.

FE fundinfo's acquisition of Fundsquare will build on FE fundinfo's established operations in Luxembourg, creating a local centre of excellence of more than 100 fund and regulatory experts.

The combined group will have a global workforce of more than 1000 employees across the UK, Europe, Asia, and Australia.

The combined business will be able to provide data management services, product registration, client reporting, regulatory reporting, and dissemination on one platform. ■

### Deutsche Börse confirms creation of first digital instruments in D7 simulation environment

Deutsche Börse Group, the Frankfurt- and Luxembourg-based market infrastructure company, has completed its first successful tests with a group of pilot customers and it is now ready to generate digital financial instruments in production. This builds on the groundwork conducted in Q4 2021, when Clearstream Banking AG's new digital register established the foundation for securities issuance and custody in alignment with legislation introduced earlier in 2021 under the German digital securities law, eWpG.

This central register links through Clearstream Banking AG Frankfurt, the German central securities depository, to existing core post-trade infrastructure including TARGET2-Securities, the securities settlement platform, owned and operated by the Eurosystem.

Announced in October 2021, D7 is a cloud-backed platform that enables market participants to digitise their financial products while providing linkage to existing market infrastructure and new decentralised platforms.

EMIR – MiFIR – SFTR – FinfraG – MAS – US Dodd Frank – REMIT

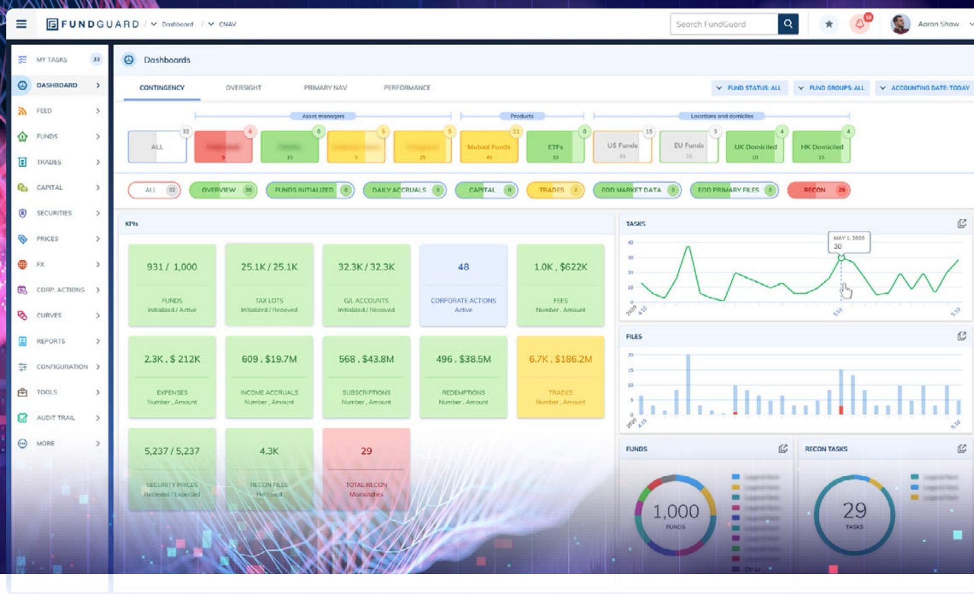
Compliance is a beast
We help you tame it.

office@deltaconx.com | www.deltaconx.com

images by boris_stroujko/stock.adobe.com

# GROUND UP, CLOUD-NATIVE, DIGITAL TO THE CORE

## The new era investment accounting utility is here.




Backed by leading financial services organizations, FundGuard is the investment accounting utility for the new era. Our front to back AI-powered, cloud-native, and multi-asset class operating platform enables forward-thinking asset managers and their service providers with a single source of truth to support more sophisticated cross-business operations and data insights, deliver differentiated customer experience and ensure compliance with increasing regulations.

---

Are you ready to help shape the future of investment accounting? Let's talk.

**fundguard.com**

**info@fundguard.com**

This is central to the firm’s plans to move from a number of isolated platforms towards its vision of one common digital financial ecosystem.

The project is designed to provide a fully digital alternative to conventional physical issuance and securities processing.

Deutsche Börse Group explains that D7 lays the foundations for same-day issuance and automated, STP-based processing across the full digital securities transaction value chain, embracing issuance, custody, settlement and asset servicing for digital securities.

This also allows issuers and other stakeholders to monitor legal and processing status, fixed nominals, and redemptions, along with other details of electronic securities held in Clearstream’s central register.

Deutsche Börse Group has partnered with a number of financial services companies to deliver the D7 project, including BNP Paribas, Citi, DekaBank, Deutsche Bank, dwpbank, DZ Bank, Goldman Sachs, Raiffeisen Bank International, and Vontobel.

## Broadridge and Coinbase launch ITS

Broadridge Financial Solutions (Broadridge) has partnered with Coinbase, to offer clients interoperability between Coinbase Prime and Broadridge Trading and Connectivity Solutions’ NYFIX order-routing network.

The integrated trading solution will be available to US domestic NYFIX clients, and allows order flow to be routed to Coinbase Prime using FIX.

The partnership will allow buy-side traders to source crypto liquidity from Coinbase, which they will then be able to trade directly from their order management software (OMS). Through this system, all compliance and regulatory checks will be adhered to.

Coinbase Prime provides a trading platform, secure custody, and prime services to manage crypto assets on a single platform. Access to crypto liquidity is available through a smart order router, while full prime brokerage capabilities are accessible to the buy-side. ■

Your Specialists in Securities Finance

Consulting Services

✓ Strategic Consulting
✓ Project & Program Management
✓ Business Analysis & Consulting
✓ Technical & Infrastructure Consulting
✓ Product Architecture & Design
✓ Software Development
✓ Blockchain Development

Software Solutions

► C-One Securities Finance In-house/Platform Hybrid Solution
► C-One Connectivity Standard Market Interfaces
► C-One RegReporting Solutions SFTR | CSDR | MiFID
► C-One Blockchain/DLT Platform

Efficient. Innovative. Modular. | www.comyno.com | contact@comyno.com

images by elenathewise/stock.adobe.com

# A Canadian Leader in Sub-custody

With more than 1,700 professionals exclusively focused on servicing Canadian investors and global investors into Canada, CIBC Mellon can deliver on-the-ground execution, expertise and insights to help clients navigate the Canadian market. Leveraging the technology and scale of BNY Mellon, a global leader in investment servicing, and the local presence of CIBC, one of Canada's leading financial institutions, CIBC Mellon has the experience and the capabilities to help you succeed in Canada.

Canadian custody and sub-custody
Canadian correspondent banking[1]
Broker-dealer clearing
Securities lending[2]
Brokerage[1]
Investment fund services
MIS (NEXEN, STP scorecard, trade match report card)
Data analytics[2]

[1] Provided by CIBC
[2] Provided by BNY Mellon

Learn more, contact:
Richard Anton at +1 416 643 5240
Abdul Sheikh at +1 905 755 7118
Lloyd Sebastian at +1 416 643 5437
**www.cibcmellon.com**

CIBC MELLON

©2021 CIBC Mellon. A BNY Mellon and CIBC Joint Venture Company.
CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks, is the corporate brand of CIBC Mellon Trust Company and CIBC Mellon Global Securities Services Company and may be used as a generic term to reference either or both companies.

## Linedata and Liquid Mercury partner on crypto asset solution

Data services provider Linedata has partnered with Liquid Mercury to provide buy-side asset managers with institutional-grade crypto access and digital asset order execution. The collaboration follows a recent Linedata report, which found that traditional asset managers are looking for more exposure to digital assets, yet lack experience in crypto operations.

Through the partnership, clients will have access to market intelligence and crypto liquidity through Linedata's Longview OMS software, while an order execution management system will be provided by digital asset and cryptocurrency trading technology company Liquid Mercury.

Timothée Raymond, global head of technology and innovation at Linedata, says: "Liquid Mercury has a proven track record of building solutions specifically for institutional asset managers. Our customers will benefit extensively from the partnership, which leverages tailored order management and trading workflow capabilities in the crypto asset space. This is part of our ongoing commitment to expand the functional coverage of our solutions through strategic partnerships."

Tony Saliba, CEO of Liquid Mercury, adds: "Both Liquid Mercury and Linedata's teams have deep experience within traditional capital markets, which was a driver to work together and help provide institutional access in the crypto market. Linedata's clients will have access to a whole new asset class, with the institutional trading capabilities that they demand." ■

**Pictet launches ESG risk platform**

Pictet Asset Services, the asset servicing business line of the Pictet Group, has created a platform to monitor and steer ESG risk exposures.

The ESG risk report allows external asset managers and institutional clients to monitor their portfolios' ESG risks with a detailed environmental, social, and governance risk analysis, as well as carbon and physical risk analysis.

The report delivers transparency about the top and worst risk contributors which allows investors to rebalance portfolios along individual strategic ESG goals.

Clients also have the option to monitor controversy exposure, as outlined by their governance framework and in alliance with the interests of stakeholders.

The ESG data used to run the platform is sourced from three independent global providers and covers close to 20,000 companies worldwide.

The report is periodically updated to track evolving ESG risks and client needs.

# CEE starts in Vienna

**One entry to 18 markets**

## Your Gateway to Securities Services in:

Almaty / Belgrade / Bratislava / Bucharest / Budapest / Kiev / Ljubljana / Minsk / Moscow / Podgorica / Prague / Sarajevo / Skopje / Sofia / Tirana Vienna / Warsaw / Zagreb

**www.rbinternational.com**

**Raiffeisen Bank International**

Marc Briol, CEO of Pictet Asset Services, says: "We are pleased to be able to capitalise on Pictet Group's strong ESG expertise to offer this value-added service for all custody and fund clients of Pictet Asset Services. With this newly launched ESG risk report, we extend our service offering beyond regulatory support services and offer our clients the possibility to get an overview of the ESG impact of their portfolio."

**S&P Global's Sustainable1 releases new climate change risk exposure dataset**

S&P Global's sustainability intelligence source, Sustainable1, has released an enhanced physical risk exposure score and financial impact dataset.

Evolving from previous offerings, the dataset now covers eight hazards — including extreme heat, water stress, and tropical cyclones — and produces decadal averages of its scenario projections, from the 2020s to the 2090s.

The dataset's exposure scores explain the exposure of an asset or company to climate change risks, while the financial impact metrics predict the projected financial costs of changing this exposure.

This information will allow stakeholders to understand and manage the physical and financial exposures to climate change of corporations and portfolios.

Steve Bullock, managing director and global head of ESG innovations and solutions, comments: "This new dataset uses the best available climate models to ensure market participants have access to high-quality data and evidence-based insights as they seek to understand and adapt to their exposure to the physical risks of climate change."

James McMahon, CEO of S&P Global's Climate Service, says: "More than ever, investors and companies are seeking advanced analytics to respond to the financial impact of climate change.

"Essential to this is the ability to quantify the financial impact of climate change at asset level to enable meaningful mitigation and adaptation planning.
In simple terms, this dataset allows companies and investors to understand their climate risks — and, vitally, what they could cost." ■

goal
Reclaims, Recoveries, Results
More than 11 trillion USD of client assets monitored
Over 20% of withheld tax on foreign securities left un-reclaimed by investors
Over 30 years supporting the global financial community

www.goalgroup.com
Reclaims, Recoveries, Results

# Fund Administration — Streamlined Through Intelligence

Whether your fund or portfolio is large or small, new or existing, complex or straightforward, SS&C has the world's most comprehensive fund administration, accounting, regulatory, and reporting services to help you succeed.

Our focus is on building innovative proprietary technology solutions combined with industry best practices, incredible service and transparency – all purpose-built for tomorrow's alternative investment managers and investors – today.

We are pleased to announce our latest game-changing technology: SS&C GoCentral™. This AI web platform leverages intelligent automation to integrate NAV functions for unprecedented transparency and control of your data.

Experience the future of data-driven decision-making.

For more information, visit
ssctech.com

# Direct gateway to CEE

**Raiffeisen Bank International's head of Global Investor Services Christian Geberth and head of GIS sales and relationship management Bettina Janoschek talk to Bob Currie about the group's innovation mindset, competitive dynamics in CEE regional custody, and how the Russia-Ukraine situation is shaping daily business**

Raiffeisen Bank has a longstanding presence in Central and Eastern Europe (CEE) that has grown since the 1980s, building on its retail, corporate, and investment banking coverage to offer a wide portfolio of investor services to a network of more than 15 CEE and Commonwealth of Independent States (CIS) markets.

For its Global Investor Services (GIS) division, this journey has demanded constant reinvention as financial services markets have matured, the requirements of international and domestic investors have evolved, and advances in technology and business practice have created new ways of supporting multi-market execution and post-trade services.

Stepping into the role of GIS division head at the beginning of 2022, Christian Geberth is responsible for overseeing the next steps in the team's development journey. He brings to the position more than 10 years' experience as Raiffeisen's department head of corporate banking, alongside research and analytical skills honed through his PhD in innovation management and his subsequent industry career.

He is open about the fact that he comes to GIS with a fresh set of eyes, not as a custody specialist but with strong expertise in technology, digitisation, and solutions development. This, he says, provides an effective complement to the many years of securities services expertise already established within the GIS team.

His strategy will offer continuity with the approach adopted by GIS's previous division head, Harald Kreuzmair, delivering what Geberth calls an "end-to-end value chain focus" which embraces execution to post-trade — including electronic sales trading, direct market access (DMA), algorithmic trading, and smart order routing, along with associated clearing, settlement, custody, and fund services across Austria and the CEE region.

Importantly, this programme will also deliver a business ownership structure that integrates technology and operations requirements centrally into GIS' delivery strategy. "Until this year, product development and delivery, operations and IT for GIS all sat in different parts of the bank," says Geberth.

"Our ongoing programme of organisational restructuring will remove this separation, creating a triangular structure that applies the same key performance indicators (KPIs) and a common Agile project management methodology across each of these service components."

## Direct access model

In managing this transition, GIS is not setting off from a standing start. In 2014, RBI conducted a major review of the operational framework and internal governance that it had in place to support securities services delivery in CEE. In doing so, it took a significant step away from the custody model that it previously employed — which was also applied by its main regional custody competitors — by establishing a direct link to the central securities depository (CSD) in 10 CEE markets. Russia was added to this direct access model when a direct link to the National Securities Depository, Russia's CSD, was established in 2020.

To support this direct access model operationally, Raiffeisen also centralised its operations support for its direct-access markets through a team in the Raiffeisen Service Centre, a majority-owned Raiffeisen subsidiary located in Vienna. For GIS, this has delivered important efficiency benefits, enabling platform upgrades to be managed centrally via the Vienna hub, for example, rather than rolling out platform upgrades for direct-access markets on a market-by-market basis across the region.

In turn, for GIS clients, this approach supports access to Austria and the largest CEE markets via a single access point, enabling firms to standardise their legal and operational frameworks, simplify their network management requirements, and reduce some of the risks and operational overheads associated with operating in a multi-market environment.

For remote or lower-volume markets where it does not offer direct access, GIS continues to offer securities services via a traditional sub-custody model using a local subsidiary — as it does in Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, and Ukraine — or through a local partner bank.

"Through this structure, we stand as the gateway to the east for international investors through our regional custody product," observes Janoschek. "We also provide a link to the west for domestic institutional investors in CEE and CIS markets." She notes that both of these lines of business have continued to expand over the past 24 months — and, significantly, GIS has never closed or suspended any markets in its regional network.

"It is important for our clients that they can rely on service continuity and the resilience of our model, even under testing conditions," says Janoschek. With a direct access model in place, GIS does not rely on Raiffeisen having a local banking presence in its largest CEE markets.

images by spainter_vfx/stock.adobe.com

> ***"Our restructuring programme will deliver a business ownership structure that integrates technology and operations requirements centrally into GIS' delivery strategy"***
>
> **Christian Geberth**

Custody clients have received uninterrupted service in the Bulgarian market, for example, despite RBI's decision to sell its local banking subsidiary, Raiffeisen Bank International (Bulgaria) EAD, to KBC Bank in a deal that was finalised in July. The same prevailed when RBI sold its subsidiary in Slovenia in June 2016 to Biser Bidco, a Ljubljana-based banking entity owned by Apollo Global Management and the European Bank of Reconstruction and Development.

## Stormy seas

Having moved to GIS from outside of the custody environment, Asset Servicing Times asked Christian Geberth to reflect on his experience so far in fronting GIS since early 2022.

"It has been quite a ride," he responds. "In managing this transformation, we have defined the vision for the group and its strategic priorities. It has been important to adapt the staff mindset, since the collaboration culture now works slightly differently with the integration of business, operations and IT responsibilities within GIS, with a common set of KPIs."

Geopolitical developments have not been kind to the implementation schedule. Russia's invasion of Ukraine on 24 February has substantially disrupted this programme, not to mention Raiffeisen's business activities in Russia and Ukraine. On top of this, Geberth reminds us that these developments have all taken place in the shadow cast by the COVID-19 pandemic.

"A calm attitude is essential in managing this situation," says Geberth. "It is important to respond appropriately, given the major economic consequences but also the human resources implications, recognising that we have a large workforce in the CIS region, with close to 9000 employees working for Raiffeisen in Russia and approximately 7000 in Ukraine."

In March, RBI's chief executive Johann Strobl issued a public statement indicating that this "unprecedented situation" had prompted RBI to reassess its position in Russia. "We are assessing all strategic options for the future of Raiffeisenbank Russia, up to and including a carefully managed exit from Raiffeisenbank in Russia," he said.

Strobl confirmed that RBI and its subsidiary banks would continue to operate in compliance with local and international sanction laws and changing financial market requirements, and in line with the bank's code of conduct. He emphasised that RBI's subsidiary banks are self-funded, well-capitalised, and have insignificant cross-border exposure to Russia.

Bettina Janoschek explains that the GIS team is working closely with its local staff in the Russian market to evaluate sanctions placed on Russia and to fulfil its duty of care to clients in line with these requirements. The bank's local representatives, led by GIS' head of Russia Evgenia Klimova, are in regular dialogue with financial authorities and the market infrastructure, including the Russian central bank, as securities market regulator, and with the National Settlement Depository, where RBI is a direct settlement member.

More broadly, Janoschek observes that there has long been a strong spirit of cooperation between sub-custodian banks in the Russian market, and this collaborative spirit has persisted during the recent crisis in trying to find effective solutions on behalf of cross-border and domestic investors.

For RBI's Ukraine service, GIS's head of Ukraine Bohdana Yefremova is now overseeing the service remotely, supported by colleagues on the ground in the Kyiv office. However, Raiffeisen's coverage in Ukraine extends well beyond securities services and also includes a large retail banking presence, which continues to provide banking services in many parts of the country.

## Regional evolution

Reflecting on the longer term evolution of CEE securities services markets, Janoschek observes that domestic institutional investors in the major CEE markets are becoming more sophisticated in

their investment strategies. In earlier days, these institutional investors — typically local pension and insurance funds — focused primarily on investing in their domestic markets, particularly in government debt and the most liquid equities.

Subsequently, these institutional investors are looking to raise their cross-border allocations, and this has driven greater activity through RBI's global custody services in larger CEE markets. Institutional and retail investor demand has also fuelled the growth of collective investment funds markets in CEE, with domestic institutions exploring investment options with local and international asset managers through mutual funds and segregated mandates. Again, Raiffeisen aims to stand at the centre of this activity, serving as a gateway for domestic institutional investors to the rest of the world, and supporting the growth of the local collective investment funds market through its fund administration and transfer agency solution. GIS is the largest fund broker in Austria, offering straight-through access to an extensive universe of more than 25,000 funds worldwide, with more than 97 per cent of fund transactions using straight-through processing.

## Cultivating an innovation mindset

In building for the future, Raiffeisen has launched a series of parallel strategy streams, focused on product innovation, client experience, and process automation, which concentrate on finding more efficient ways of delivering solutions to the client. This includes enhancements to RBI's Global Investor Gate, its user interface for securities services products that offers app and web-based access with full application programming interface connectivity.

Alongside these channels, Raiffeisen is focused on identifying wider opportunities for group collaboration, seeking to leverage the benefits of new technology and customer solutions across the bank, and to take advantage of the scale benefits that these can offer across the enterprise.

More broadly, GIS will continue to invest in its technology stack and its data architecture. In promoting innovation, GIS has established a sandbox through which it can evaluate investment in fintech and solutions development.

This includes opportunities for applying distributed ledger technology (DLT) to complement its technology architecture. "Although these projects are broadly in an 'exploration phase', we identify potential for integrating DLT selectively into our existing systems and books of record," says Geberth.

***"Domestic institutional investors will play a central role in driving our future, recognising that cross-border investment flows may wax and wane"***

**Bettina Janoschek**

Beyond its innovation strategy, a wider question for GIS is how the competitive landscape in regional custody and clearing will evolve in times ahead. In May, Societe Generale completed the sale of its Russian subsidiary Rosbank, along with its Russian insurance subsidiaries, to Interros Capital — founded by Russian oligarch Vladimir Potanin — with SG Group estimating a net loss of €3.2 billion on its income statement from the sale of these assets.

There has also been speculation that Citi is in negotiation with Russia-based Expobank regarding the potential sale of some of its bank operations within the Russian market. If this includes its securities services operations, this may significantly reduce the contribution of Citi's CEE and CIS revenue stream to its global securities services turnover.

For Raiffeisen, as we know, the official position is that it continues to review strategic options for the future of its Russian subsidiary. But, for Janoschek, the key point is that Austria and CEE are home markets for GIS and the region will continue to be the centrepoint for its future growth, supporting the needs of both international and domestic asset owners and financial intermediaries.

"Domestic institutional investors will play a central role in driving our future, recognising that cross-border investment flows may wax and wane, but these domestic investors will be ever present in the region as they diversify their investment exposures across a widening range of asset classes and investment destinations," she concludes. ■

Pablo Garcia
Manager of post-trade
AFME

# Should Europe join the race towards shorter settlement cycles?

**AFME's manager of post-trade, Pablo Garcia outlines how a transition from T+2 to T+1 would represent both a considerable time constraint and model shift for Europe's financial services industry**

Significant technological advances have changed the way we work, live, and interact. This is no different for securities markets, where the industry continues to seek opportunities to improve efficiency through advancements in technology and standardisation. Recently, for example, the US, Canada, and India announced their intentions to shorten settlement cycles to one business day (T+1), while most securities transactions are currently settled within two business days.

The US and Canada plan to adopt T+1 in what is understood to be a 'Big Bang' implementation in late 2024. The move to accelerated settlement cycles is seen as a way to lower risks to financial systems and drive greater efficiencies in post-trade processes. The question arises as to whether Europe should follow suit.

The European region is characterised by a multitude of currencies, market infrastructures, and distinct legal frameworks. Compared to the US, Canada, or India, which are single national markets, Europe's capital markets are notable for their diversity, the complexity of their legal, fiscal and regulatory frameworks, and for their large number of regulatory, supervisory, and infrastructure bodies.

These structural differences have historically brought challenges when it comes to the harmonisation and efficiency of post-trade in European financial markets, making the adoption of T+1 in Europe a more complex proposition.

The case for and against T+1 settlement cycles in Europe is not straightforward. While many of the benefits of the US adopting T+1 stand for Europe, there are simply more complexities to consider.

## What is a settlement cycle?

Simply explained, a settlement cycle is the time period between transaction agreement execution by a buyer and a seller (the trade date) and transaction completion, where securities and cash are exchanged (the settlement date). This process is not much different to that of any other commercial transaction that may occur across a shop counter.

However, while in a shop the transfer of cash and goods happens simultaneously, the settlement process of securities transactions occurs at a different time to the execution of the trade. There is a window between trading and settlement which allows for several important processing steps to take place, ensuring a high degree of control and efficiency, as is required for processing high volumes and values of securities transactions.

European markets were operating on a three business-day settlement cycle (T+3) until 2014, when the majority of European markets adopted a two business-day approach (T+2) in preparation for the direct application of Article 5 of the Central Securities Depositories Regulation (CSDR).

> *" The barriers to timely settlement on a T+2 basis need to be fully understood and overcome before moving to T+1 in order to avoid exacerbating existing issues"*

The US followed suit and adopted T+2 in 2017. Over the years, advancements in technology and standardisation have allowed for this window to be reduced.

## More efficient and competitive capital markets

There are immediate benefits to Europe moving to T+1. Reducing risk is a notable example, which the US has cited as one of its main reasons for moving to T+1. In recent years, capital markets have been characterised by periods of significant increases in trading volume and volatility, increasing levels of counterparty risk. Reducing the number of days between trade execution and settlement could lead to a reduction of risk across the settlement ecosystem, especially during periods of market volatility.

By reducing firms' open exposures over the settlement period, there will also be a reduction in costs. Decreasing the margin requirements could lead to market participants better managing capital and liquidity risk.

Modern capital markets are becoming more accessible than ever, with much of the transactional world moving towards real-time operations, and many emerging asset classes – such as crypto-currencies – offering investors instant settlement. Against this background, T+1 settlement may contribute towards the continued attractiveness and relevance of traditional financial markets.

Settlement cycles have gradually reduced over time, driving further advancement in post-trade efficiency at each stage. The adoption of T+1 would necessitate renewed industry focus to automate manual processes, and to create and adopt industry standards.

## Significant challenges for Europe

A transition from T+2 to T+1 would represent a considerable time constraint and model shift, because there would be significantly fewer hours between trading and the beginning of the settlement cycle for post-trade operational processes. There are many post-trade activities that need to take place between the close of trading and the beginning of settlement. Being able to modify systems and processes to accomplish all of these activities during a shorter time frame will be a serious undertaking. The compressed timeline for the completion of operational processes, as well as the reduced opportunity to complete securities lending transactions to cover short positions, could potentially lead to an increase in the number of settlement fails in the market. At a regulatory level, these failures could incur cash penalties under CSDR rules, as well as having risk-weighted assets implications under Basel III requirements.

A compression of the settlement cycle would create operational complexities for all firms transacting in European securities markets, but in particular for investors from other regions, for whom time zone differences will impact the possibility of same-day matching processes and vastly reduce the time available to communicate and resolve any breaks or exceptions.

## Industry collaboration is the next step

Before making any decisions on the future of settlement cycles, Europe needs to do some preparation. One of the first steps should be to conduct an industry-wide consultation to identify and quantify the potential challenges, followed by a robust cost-benefit analysis. It will also be crucial for global market participants to give their feedback to ensure that a migration to T+1 will not hurt the competitiveness of European markets, or diminish their attractiveness to global investors. The interconnected and complex nature of European capital markets shows how challenging it might be to implement a shorter settlement cycle in Europe. The barriers to timely settlement on a T+2 basis need to be fully understood and overcome before moving to T+1 in order to avoid exacerbating existing issues.

Successful implementation will depend on a high degree of coordination and agreement from all stakeholders. Ideally, a cross-industry taskforce, with representation from all market participants, should be established to drive forward the initiatives. A rushed or uncoordinated approach could result in increased risks, costs, and inefficiencies in European capital markets. ■

Investor &
Treasury Services

# **Specialist** Expertise
# **Assured** Financial Strength

Combining specialist expertise alongside innovative technology, RBC Investor & Treasury Services delivers asset servicing solutions to support asset and fund managers in achieving their investment, market and product expansion objectives.

To discover how we can help, visit **rbcits.com**

Distribution Services | Securities Processing & Administration | Information Management | Transaction Banking | Optimisation

© Copyright Royal Bank of Canada 2022. RBC Investor & Treasury Services™ is a global brand name and is part of Royal Bank of Canada. RBC Investor & Treasury Services operates primarily through the following companies: Royal Bank of Canada, RBC Investor Services Trust and RBC Investor Services Bank S.A., and their branches and affiliates. In Luxembourg, RBC Investor Services Bank S.A. is authorized, supervised and regulated by the Commission de Surveillance du Secteur Financier (CSSF), and jointly supervised by the European Central Bank (ECB). In the United Kingdom (UK), RBC Investor & Treasury Services operates through RBC Investor Services Trust, London Branch and Royal Bank of Canada, London Branch, authorized and regulated by the Office of the Superintendent of Financial Institutions of Canada. Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available on request. RBC Investor & Treasury Services UK also operates through RBC Europe Limited, authorized by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Additionally, RBC Investor & Treasury Services' trustee and depositary services are provided through RBC Investor Services Bank S.A., London Branch, authorized by the CSSF and ECB, and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available on request. RBC Investor Services Bank S.A. maintains a representative office supervised by the Federal Reserve Bank of New York. RBC Investor Services Trust (Australian Branch) is licensed and regulated by the Australian Securities and Investment Commission, Australian Financial Services licence number 295018. Details about the extent of our regulation by the Australian Securities and Investment Commission are available on request. RBC Investor Services Trust Singapore Limited is licensed by the Monetary Authority of Singapore (MAS) as a Licensed Trust Company under the Trust Companies Act and approved by MAS to act as a trustee of collective investment schemes authorized under S286 of the Securities and Futures Act. RBC Investor Services Trust Singapore Limited is also a Capital Markets Services Licence Holder issued by MAS under the Securities and Futures Act in connection with its activities of acting as a custodian. RBC Offshore Fund Managers Limited is regulated by the Guernsey Financial Services Commission in the conduct of investment business. Registered company number 8494. RBC Fund Administration (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of fund services and trust company business in Jersey. Registered company number 52624. RBC Investor Services Bank S.A. is a restricted license bank authorized by the Hong Kong Monetary Authority to carry on certain banking business in Hong Kong. RBC Investor Services Trust Hong Kong Limited is regulated by the Mandatory Provident Fund Schemes Authority as an approved trustee. Royal Bank of Canada, Hong Kong Branch, is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission. This material provides information on the services and capabilities of RBC Investor & Treasury Services. It does not constitute an offer, invitation or inducement with respect to any service or financial instrument. RBC Investor & Treasury Services' services are only offered in the jurisdictions where they may be lawfully offered and are subject to the terms of applicable agreements. This material is for general information only and does not constitute financial, tax, legal or accounting advice, and should not be relied upon in that regard. Links to external websites are for convenience only. RBC Investor & Treasury Services does not review, endorse, approve, control or accept any responsibility for the content of those sites. Linking to external websites is at your own risk. ® / ™ Trademarks of Royal Bank of Canada. Used under licence.

# EMIR, EMIR on the wall

**Amid the season of Disney remakes, Brian Bollen analyses EMIR's own 'remake', more aptly known as 'REFIT', and what the update will mean for the industry going forward**

EMIR, EMIR on the wall, who is the fairest regulator of them all? The world of Walt Disney and European financial market regulation have little in common at first glance, or even second or third glance.

But the Disney family's genealogical and geographical roots are allegedly in France, the country whose thirst for regulation gave global vocabulary the word 'bureaucracy'.

The growing appetite for remaking and recasting successful movie titles bears at least some resemblance to the appetite of the European Union's executive institutions for regularly revisiting, reviewing, and then refitting their own regulations.

For Disney, The Little Mermaid is next in line for the remake process. What could be the next remake in the EU regulatory landscape? One has to ask. For now, at least, the European Market Infrastructure Regulation (EMIR) is the subject of the day, laying down rules on over-the-counter derivatives, central counterparties and trade repositories.

The EU adopted EMIR in 2021 with several aims: to increase transparency in the over-the-counter derivatives markets, to mitigate credit risk, and to reduce operational risk.

DTCC summed up the current situation as regards to EMIR in a number of recent articles discussing the anticipated changes and also issued invitations to join its webinar on 29 September for an update on key rule changes under EMIR REFIT, including the move to ISO 20022 XML, adoption of the unique product identifier, changing reconciliation requirements, and more.

"The primary focus of the upcoming webinar is educational, preparing market participants for the size and scope of change, walking them through the changes and explaining the rules," outlines Val Wotton, London-based managing director of product development and strategy, repository, and derivatives services at DTCC.

"There are a number of significant changes proposed in EMIR REFIT, including the large rise in the number of data fields that need to be completed (from 125 to 203), the requirement to translate historical records to the new standards over a six-month period, the introduction of the mandatory requirement to submit data in the ISO 20022 format (mirroring securities financing transaction regulation standards), and the brand new unique product identifier, which every firm will need to source and exchange on every transaction.

images by oleksandr_moroz/stock.adobe.com

"The burden is being firmly placed on reporting counterparties to do the necessary upgrading; if you are in the derivatives markets you have to comply."

The European Parliament's anticipated approval of revised trade reporting rules under EMIR REFIT will set off an 18-month countdown to going live, DTCC notes in a recent paper on the industry preparations needed, before adding: "Will you be ready?"

Long experience in and around markets, and public sector initiatives, suggests that the answer is that some will be 'readier' than others, having taken the issue seriously and changed ethos, streamlined structure, and invested heavily in technology, (or taken a decision to outsource to firms), while the 'unreadier' ones have turned a blind eye.

The same experience also suggests that punting items further into the long grass will become increasingly attractive as go-live inches nearer and nearer. In December 2020, the European Securities and Markets Authority (ESMA) published the final technical standards under the EMIR REFIT.

A quick check of the basic arithmetic suggests that REFIT go-live will take place around February or March 2024.

This tallies with DTCC's analysis. In its own recent paper on REFIT, DTCC noted that the European Securities and Markets Authority (ESMA) recently conducted its regulatory fitness and performance programme (REFIT) for EMIR.

The review found amendments to the regulation are necessary to address rising compliance costs and regulatory transparency issues.

The UK's Financial Conduct Authority (FCA) has followed suit, recently completing its equivalent consultation for the revised UK EMIR Rules.

"While there is no expectation that the new EU and UK EMIR rules will come into force on the same date, the expected production implementation timeline for both is early 2024," says DTCC.

'Regulatory requirements will not go away', is a statement that echoes across sectors and markets. However much some participants wish they would, the reality is that sometimes they take effect, stick around, and become tighter with the passage of time and the accumulation of hard-won experience.

Susan Yavari, senior regulatory policy adviser at the European Fund and Asset Management Association, highlights the question of access to UK central clearing counterparties (CCPs) as a significantly important element of future regulation in Europe.

She says: "We have had an extension of existing arrangements until June 2025, which provides welcome breathing space, but we need clarity on the clearing options available to us.

"We do not of course access CCPs directly, but we have a fiduciary duty to end-clients who need access to clearing at the lowest spreads, making the option to clear wherever the best clearing conditions are available fundamental.

"Transferring of positions is complex and needs to be implemented over a time period. You cannot do it overnight, at the flick of a switch. Ultimately, the decision to disallow UK CCPs access or not will come down to a political decision for agreement between the European Commission and the EU member states."

Yavari also identifies as an area of interest in EMIR REFIT, the recognition of third-country CCPs, specifically referring to recent equivalence decisions relating to China, India, and Malaysia.

"The process is long and complex and a lot of exemptions are currently in place, due to the slow equivalence process," she comments.

When considering his thoughts for this piece on EMIR, and the wider considerations for current regulation, Shaun Murray, CEO of Margin Reform, affirms: "Regulations continue to evolve."

He adds: "In June 2023, we see the cessation of the exemption that pension funds have had for mandatory clearing.

"As with all regulatory projects you want to give yourself a full year to consider your strategy and how you will meet the requirements."

In conclusion, when asked what the industry can expect of technology infrastructure development to aid the current regulatory backdrop, Murray concludes: "Technology and data continues to move at a phenomenal pace.

"Keeping up with it is one thing, knowing how to interpret it and how to better utilise it, to make the most of the advantages that it brings, is something else." ■

2022
asset servicing times
INDUSTRY EXCELLENCE AWARDS

# BOOK A TABLE TODAY

## 04 November 2022

## The Londoner Hotel, Leicester Square

For more information contact justinlawson@assetservicingtimes.com

## Northern Trust welcomes Michael Buzza

Northern Trust has appointed Michael Buzza as global head of network management and market strategy, coordinating the bank's global market access and market insight for the Digital Assets and Financial Markets group.

Buzza has been with Northern Trust for 16 years and previously led subcustodian selection for the bank's global network. He also played a key role in Northern's strategic investment in Zodia Custody, the cryptoasset custody service developed in collaboration with Standard Chartered Bank.

Northern Trust's global head of Digital Assets and Financial Markets Justin Chapman says: "Michael's role will be key to the ongoing management of our market-facing relationships across both traditional and digital markets. His wealth of experience across risk management, commercial partnerships and financial markets will also accelerate the development of our traditional and digital asset capability roadmaps." ■

**BNP Paribas has appointed John Ferrara as head of sales and relationship management for the institutional investors client segment of the Americas, for the bank's securities services division.**

Based in New York, Ferrara will report to Dennis Bon, head of BNP Paribas Securities Services in the Americas, as well as Alvaro Camunas, global head of client development for BNP Paribas Securities Services.

Ferrara has served in a number of sales roles in securities services and financial technology. Prior to BNP Paribas, Ferrara was at Citi, where he led sales for the asset manager segment for custody and fund services. Before that, Ferrara was global head of sales and account management at BISAM. Following FactSet's acquisition of BISAM, Ferrara assumed the role of head of sales for the New York region.

Commenting on Ferrara's appointment, Bon says: "The institutional investor segment is a key area of focus and growth for BNP Paribas Securities Services. We have made significant investments in the space to serve both our local and global client base over the past few years, and I am very pleased to welcome John to our team to continue to drive our business forward."

Ferrara adds: "This new role presents an exciting opportunity to further develop this important client segment within one of the leading securities servicers franchises in the world."

**Deutsche Bank has appointed Ruchir Sharma as co-head of global foreign exchange (GFX) for the APAC region.**

Sharma will be based in Singapore, and will work alongside Darren Boulos, who was appointed co-head of GFX

deltaconX

# EMIR REFIT TRAINING DAY

**October 12th 2022**

PALAIS BERG, SCHWARZENBERGPLATZ 3, 1010 VIENNA

KAIZEN REPORTING

# HOW COMPLIANCE CHANGES WITH EMIR REFIT

## GET INSIGHTS FROM THE EXPERTS

**Use this unique opportunity to speak directly with regulatory experts across all areas including:**

- **Trade Repositories**
- **Reporting consultants**
- **Financial and non-financial market participants**
- **Other Intermediaries and software vendors**

Learn everything you need to know in order to understand how to prepare for the impending EMIR Refit and ensure reporting compliance.

**SIGN UP NOW**

www.emir-refit.com/training-day

deltaconX

## Stephen Pemberton leaves HSBC

Stephen Pemberton has left his role as managing director and global head of direct custody and clearing and broker outsourcing product at HSBC. Previously based in Asia for 18 years, Pemberton has recently moved back to his native UK, though his next role is unknown.

Pemberton was managing director and global head at HSBC for more than three years.

Prior to serving at HSBC, Pemberton was managing director, account management at APAC from 2015 to 2019.

He has also held senior roles at Standard Chartered and UBS Investment Bank.

Commenting on his departure from HSBC via LinkedIn, Pemberton says: "After 18 years in Asia, the last few of which were with HSBC in Hong Kong, [it was] an incredible experience to work in [the] iconic HK main building.

"I return to the UK with countless memories of my time in Asia, almost all of which revolve around the people I have met, worked with, learnt from and been fortunate to call friends, clients, or both." ■

for APAC earlier this year. Together, the pair will be tasked with driving the strategic direction of Deutsche Bank's FX business.

Sharma joins Deutsche Bank from Credit Suisse, where he was head of APAC FX trading for more than 12 years. Prior to this, he was a director at Bank of America Merrill Lynch.

Russell LaScala, global head of FX at Deutsche Bank, says: "Ruchir brings a strong track record and unique blend of expertise, from FX trading to building businesses. Together with Darren, he will be instrumental in providing high-quality service to our clients and ensuring the continued success of Deutsche Bank's FX platform."

**Delta Capita, a global capital markets consulting, managed services, and technology provider, has welcomed Riddhi Sen as its new head of data.**

In this London-based role, Sen brings more than a decade of financial services experience, spanning across consulting and industry positions.

Her experience includes leading data transformation across multiple global financial services clients, as well as building data advisory capabilities.

Sen joins the firm from Capco, where she served as management consultant from 2016 to 2022.

Commenting on her new role Sen says: adds: "I am confident that our data capability, backed by our strong financial services foundation, and committed investment in technology, will enable our clients to achieve tangible, measurable business results." ■

AccessFintech

# SECURITIES PROCESSING WITH ACCESSFINTECH

Welcoming our new clients to the AccessFintech Synergy network!

REDUCE MISMATCHES

MINIMISE FAILS

STREAMLINE CSDR PROCESSES

MANAGE DISPUTE CLAIMS

Find out how data driven workflow can help your organisation

www.accessfintech.com

... and climbing.

## A global player in asset servicing...

Offering leading value in investor services demands constant evolution. At CACEIS, our strategy of sustained growth is helping customers meet competitive challenges on a global scale. Find out how our highly adapted investor services can keep you a leap ahead.

**CACEIS, your comprehensive asset servicing partner.**

www.caceis.com

caceis
INVESTOR SERVICES
solid & innovative