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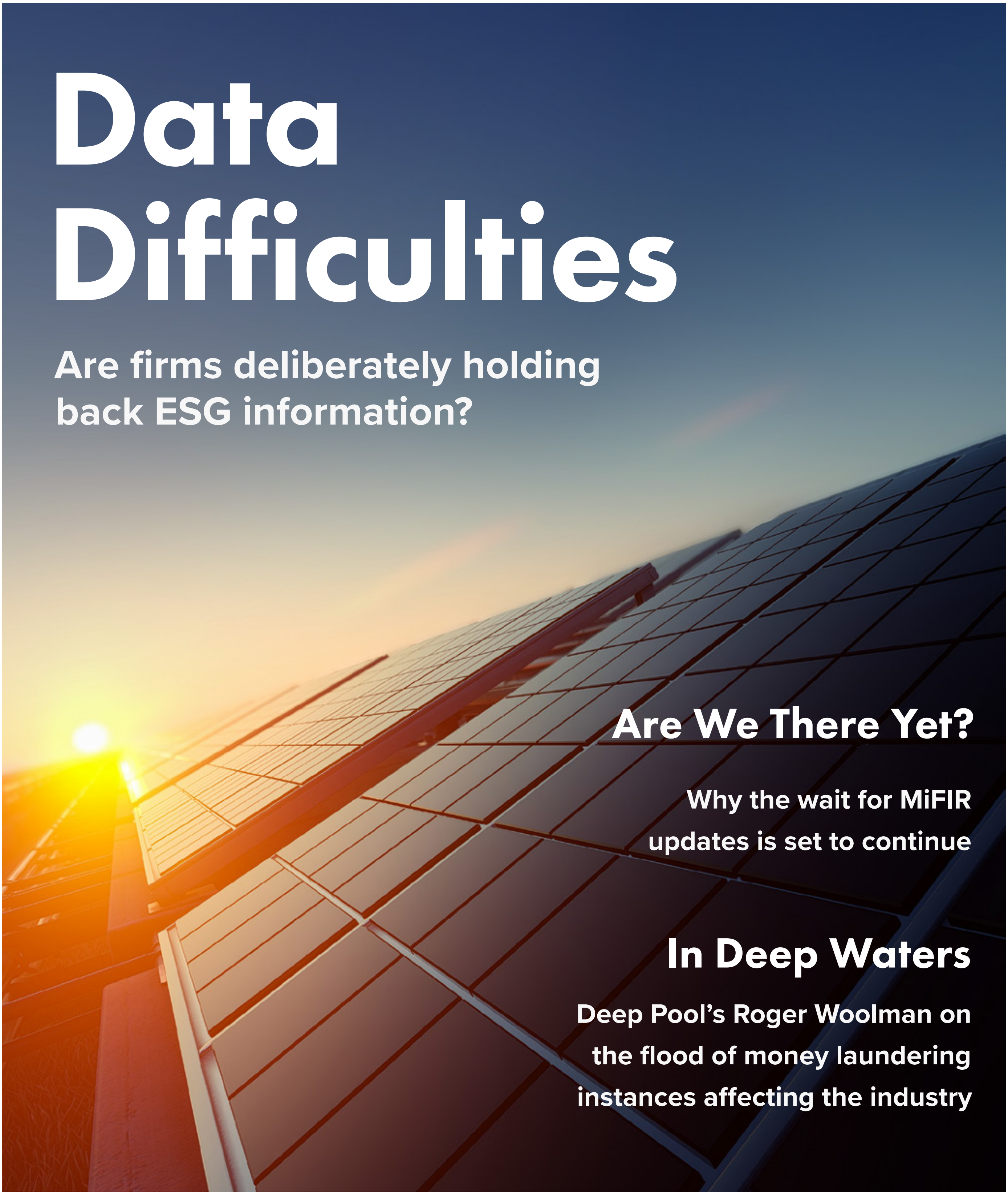

Data Difficulties

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Deep Pool's Roger Woolman on the flood of money laundering instances affecting the industry

AccessFintech bolsters Synergy platform

AccessFintech has expanded Synergy, its data collaboration network, now offering financial instrument global identifiers (FIGIs) on the platform.

Those using FIGIs will be able to link their proprietary content and share data with organisations using alternative identifiers, removing licensing and cost barriers, the company says.

FIGIs are globally-recognised open data standards which provide guidelines for the identification and creation of context-specific data models of financial instruments. Using OpenFIGI.com, clients will be able to use FIGIs to identify and track financial investments through their entire lifecycles.

The standards cover traditional assets as well as those which have previously had no standard identifiers, such as crypto assets. They are supported by descriptive metadata, including exchange and national jurisdiction, which describes the financial instrument.

Steve Fazio, chief product officer, says: "Deploying the FIGI standard across the entire Synergy Network allows us to add an important additional layer of data normalisation for clients. Financial institutions favour varying identifiers, and we are excited to link these standards with the FIGI, which will support us in identifying instruments globally and across assets in a standardised language.

"The ability to connect different data identifiers enhances our capacity to provide seamless connectivity and helps us go further in linking content sets across multiple market players to reduce errors and help minimise overall risk." ■

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Euroclear completes first APAC iETFs cross-listing

Euroclear Bank (Euroclear) has supported the first APAC cross-listing of UCITS internet exchange traded funds (iETFs), issued by DWS Group (DWS). DWS migrated its domestic Luxembourg ETFs to Euroclear's international central securities depository model, allowing it to cross-list on both Hong Kong Exchanges and Clearing Limited (HKEX) and the Singapore Exchange (SGX) exchanges.

The most recent to be a part of Euroclear's ETF ecosystem, SGX joins the Hong Kong, Mexican and Tel Aviv exchanges.

With this development, European ETFs can be transferred between Europe and Asia on the same day. European issuers will be able to expand their distribution networks to the APAC region, and Asia-based investors can benefit from cost and risk efficiencies.

Isabelle Delorme, head of strategy and product expansion, issuers, fund managers and sustainable finance at Euroclear, says: "We are pleased to have achieved this watershed moment for iETF cross-listing in the APAC region. This could only have been accomplished by true collaboration with our partners with the objective of providing additional market efficiencies to investors."

Keshava Shastry, global head of capital markets at DWS, comments: "The migration of our full product offering of ETFs to the International Central Securities Deposit model marks a milestone in our effort to provide APAC investors with efficient settlement and liquid listings. The APAC region is very important for the development of DWS' passive business and we are excited to be part of this multi-region project."

State Street to open new office in South America

State Street is to open a new office in Chile to help the firm serve and support institutional clients in South America, with a focus on custody, fund administration and securities lending.

The firm has appointed Alberto Menendez to lead the Chile office and to serve as sales representative for Chile and Peru.

Menendez is based in Chile and will report to Maria Ximena Vasquez Barbosa, regional sales head for Latin America and Caribbean excluding Brazil.

Menendez joins State Street from Credicorp Capital Chile, where he served as distribution manager, overseeing the distribution of first-class mutual funds, exchange-traded funds (ETFs) and alternative asset managers, including State Street's ETFs for Chile, Colombia and Peru.

Prior to that, he held leadership positions at AFP Provida, Celfin and AFP ING of Colombia.

The launch of the Chile office marks an important milestone as the firm builds on its ongoing expansion of client capabilities in the region, says State Street.

The office opening in Chile comes a year after State Street's Brazilian bank began offering foreign exchange capabilities and sales operations.

Marcia Rothschild, head of Latin America and the Caribbean at State Street, says: "We are proud of our growth in Latin America, which continues to be a critical market for the global investment community. With our new office, State Street is even better positioned to serve our clients,

globally and locally, as they navigate the evolving challenges of investing in emerging markets."

Menendez adds: "State Street has brought market leading solutions and unprecedented scale to the region, and the opportunity ahead is only growing as we continue to expand our capabilities on behalf of clients."

SmartStream replaces cash solution with AI-enabled offering

SmartStream has launched TLM Aurora Advanced Account Control, an AI- and web-enabled service that helps clients to prepare for upcoming ISO 20022 standards. It will replace the company's existing cash solution.

The solution manages large data sets, and uses a streaming platform to allow the data to be verified by other areas of the user's organisation. SmartStream claims that the service "sets a new benchmark" for real-time and volume handling capabilities.

TLM Aurora Advanced Account Control uses both private and public clouds. Focusing on longevity and sustainability, SmartStream says that cash accounts will be able to be reconciled regardless of their type, with data and configurations from firms' existing solutions being retained.

The platform uses single sign on and multi-factor authentication, which SmartStream has redesigned to be suitable for future industry developments such as integrated exception management.

Roland Brandli, strategic product manager at SmartStream, says: "When speaking to clients two things are key — reduction of operational risk and lowered cost. With our new solution there is huge potential in achieving both these objectives. In addition, there is a big opportunity here for unlocking data, not previously available — and we are the only vendor to offer this service."

Link Fund Solutions picks EFA for middle-office services

Link Fund Solutions Luxembourg S.A. (Link Fund) has chosen EFA to provide its middle-office services.

As part of the mandate, EFA will provide Link Fund with trade management services for transferable securities and for financial derivative instruments.

EFA middle-office services are specifically designed for asset managers seeking to implement robust post-trade execution processes.

The new mandate further strengthens EFA and Link Fund's existing partnership and reflects the movement within the industry for management companies and their portfolio managers to focus on core activities and outsource others.

EFA's middle-office services can also be combined with back-office services.

Paulo Fernandes, chief commercial officer at EFA, says: "At EFA, our mission is to build solutions that enable our clients to focus on their core business, while we take care of everything else up to the perimeter of the client's investment process. Developing a dedicated operating model with our strong partner Link Fund Solutions has been a pleasure and a success and we thank them for their continued trust."

Richard Maisse, conducting officer in charge of investment management at Link Fund, comments: "We have chosen

to outsource our middle-office activities to our long-lasting partner EFA as they offer us a set of customised and efficient technology tools and post-trade execution services that allow companies to decrease operational risks."

SIX expands Spanish offerings

SIX has announced that it will provide Spanish securities clients with direct market access to Iberclear, the Spanish Central Securities Deposit (CSD). This follows SIX's 2020 acquisition and integration of BME Group, which has a significant Spanish presence. Using the local custody service, clients will benefit from accelerated operational services, the company says.

Stephan Hänseler, head of international custody operations at SIX, comments: "SIX has established this direct link to Iberclear in line with its direct market access strategy. This enables SIX to provide high quality transaction services, asset servicing and tax services based on the safekeeping of Spanish securities of its international custody clients."

Jesus Benito, head of domestic custody operations at SIX, adds: "The new direct market access is developed to protect a broad range of asset classes, combining the Swiss and Spanish securities services expertise of SIX. Our best-in-class market access models, combined with its growing international presence, are the basis for flexible end-to-end securities services."

CACEIS to acquire RBC's European asset servicing business

CACEIS has announced that it will buy the Royal Bank of Canada's (RBC's) European asset servicing business and its related Malaysian service centre. The two banks have signed a Memorandum of Understanding through which CACEIS will purchase RBC's European securities services book of business which includes custody and global custody FX, securities lending, fund administration and transfer agency, along with middle-office services.

The deal, which is subject to standard regulatory and antitrust approvals, is expected to be finalised by the end of Q3 2023. By agreement with RBC, CACEIS indicated that it does not wish to disclose the transaction price. However, a CACEIS spokesperson told Asset Servicing Times that CACEIS would be able to absorb the transaction without capital increase.

The MoU relates to CACEIS' acquisition of a European asset servicing business from Toronto-based RBC that includes approximately €1.2 trillion in assets under administration through its fund services business and approximately €0.5 trillion in assets under custody.

Commenting on the MoU that CACEIS has announced with RBC, CACEIS' chief executive Jean-Francois Abadie says: "This combination with RBC Investor Services helps us to consolidate our position as a leading European player in asset servicing. We are enhancing our leadership across a range of services, increasing our position in a number of key markets, growing relationships with global asset managers, and increasing our capabilities and scale.

Francis Jackson, CEO of RBC Investor Services, comments: "CACEIS has a track record of growth. This is an important milestone as they strengthen their position as a leading European asset servicer. We are confident this proposed transaction will bring benefits to our clients and our employees." ■

CEE starts in Vienna

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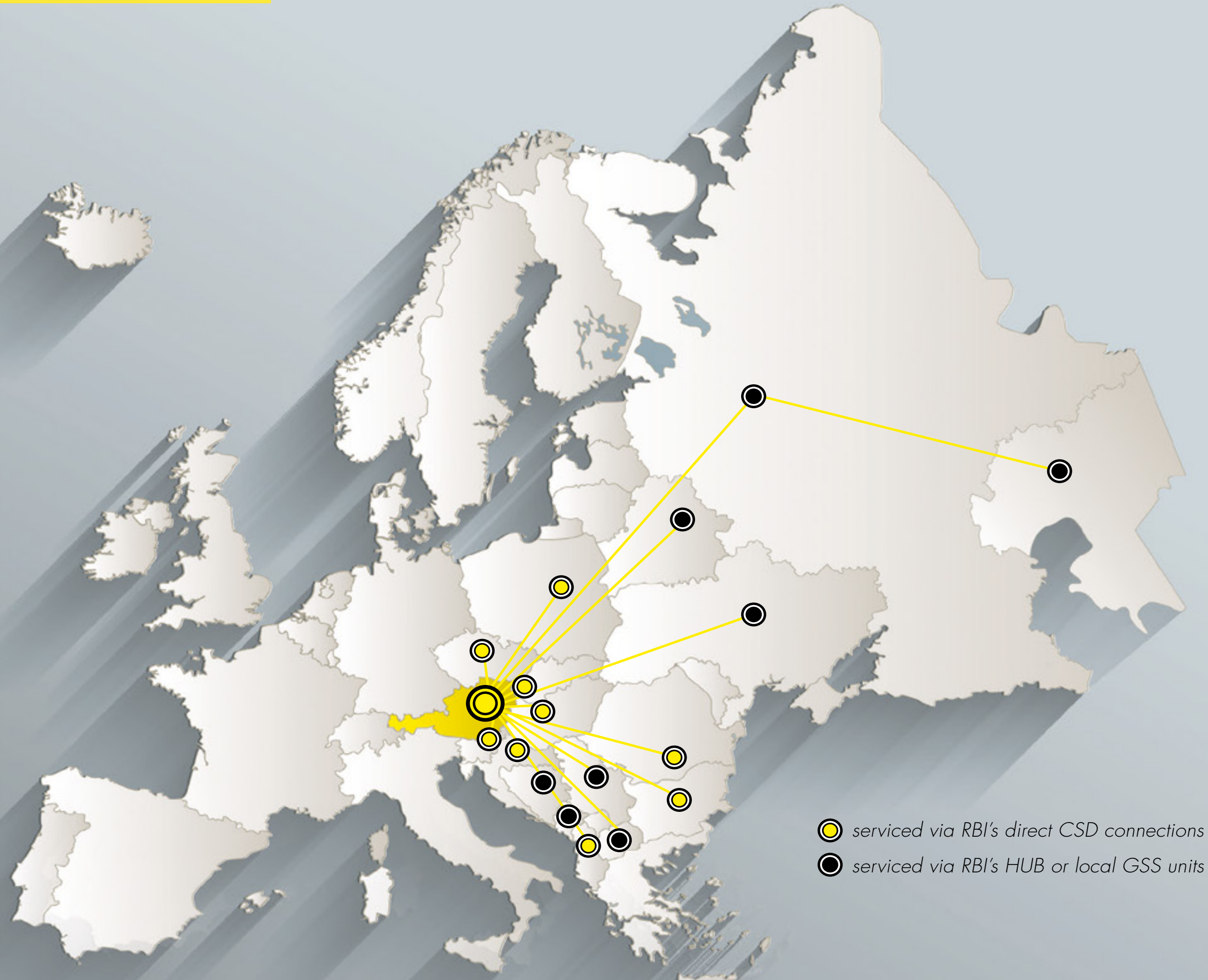

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DLT is on the move, say SIBOS panellists

Distributed ledger technology (DLT) application in the real world is accelerating, said panellists at this year's SIBOS conference.

The affirmation was made at a panel entitled 'Meet the Experts: DLT in the Real World – Making Digital Assets an Operational Reality', run by Broadridge, in which participants discussed the recent findings of ISSA's industry-wide 'DLT in the Real World' survey.

Colin Parry, CEO of ISSA, outlined some of the survey's key findings, including considerable year-on-year growth for live DLT usage and the maintained popularity of crypto and bonds assets. He also emphasised the fact that "the value [of DLT] is there," but that it may be seen differently depending on where firms are in the ecosystem.

While the use of DLT is up, other panellists warned that the industry may not be using it to their full advantage. Xiaonan Zou, head of innovation and digital assets at UBS Group Treasury, stressed that regulation must be considered as companies push for everything to move faster. Operational risk needs to be minimised, she said, and regulation needs time to catch up.

Yuval Rooz, CEO of Digital Asset, disagreed. He stated that regulation does not need to change when considering the digital asset world, and argued that regulation for other asset classes and the wider market can be applicable. Instead, he suggested that a major problem the sector is facing is an overabundance of experimentation — and a lack of actual problem solving.

Answering the question of why investors should show an interest in DLT, Horacio Barakat, head of digital innovation for capital markets at Broadridge, affirmed that they already are. He said that the buy-side is seeing the benefits of DLT, but that the technology is of no use to them without the presence of a user network that they can engage in. As this network develops, uptake will increase. Although the buy-side has been slower in the adoption of DLT, there was little incentive for them to join, he added.

Rooz instead suggested that the buy-side is not behind the curve — they had no reason to be ahead of it, as innovation in this area does not directly serve them. He stated that the buy-side is more interested in solutions to problems than product technicalities, and that once these are publicised there will be further interest in DLT.

Barakat concurred, stressing that networks are hard to build based only on product potential. He suggested that specific use cases for individual companies should be introduced before moving to a multi-party system, allowing for firms to adapt to new technology and realise its benefits.

images by swift

Zou considered the rapid development of interest in DLT and digital assets over the past years, noting that support for her digital assets team has increased steadily. Similarly to Rooz, Zou mentioned the importance of using DLT to produce concrete use cases and create tangible benefits.

The importance of having clear strategies and objectives was highlighted by the panellists, with Zou stating that "planning and funding is very much front and centre in this journey," and Rooz adding that technology migration requires clear project objectives, with all parties involved agreeing on intended outcomes and measures of success.

As the ecosystem is becoming more visible, investment in DLT is increasing, according to Parry. He said that firms are becoming more and more willing to partner with fintechs and other external service providers, rather than trying to develop everything in-house, and that the process is full-firm oriented, rather than a separate entity.

Returning to the question of regulation and best practice, Parry brought up ISSA's long-term research into DLT, with a digital asset working group and several published papers. However, he admitted that there are not yet best practices available as the industry does not yet know what these should be.

Rooz stated that "a standard is a standard if people use it," suggesting that these will emerge as DLT becomes more widespread.

Concluding the panel, each speaker offered a different perspective on the challenges that DLT faces. Parry cited regulation, while Barakat mentioned the industry's aversion to change and the risk associated with it. Zou stated that there is a "long journey" ahead for digital assets, and that companies need to make sure that they are taking a price-minimising, benefit-maximising approach. Finally, Rooz reiterated that the focus should be on solving industry problems, and added that digital assets should stop being considered as disparate from mainstream assets.

The industry should look beyond T+1

Europe should consider getting ahead of the curve and start thinking about moving from legacy to digital systems as part of the move to shorter settlement times, a panellist at this year's SIBOS conference said.

The comment came from Javier Hernani, head of securities services at SIX, at a panel entitled 'Is T+1 the goal or a step to instant securities settlement?', where the pervasive question of when Europe would move to a T+1 settlement cycle was unpacked.

The panel began with a discussion of why the move to T+1 is so important to Europe. Julia Romhanyi, global head of securities services at UniCredit, stated that there are three main reasons for the shift: reducing risk, reducing cost, and increasing efficiency. With technology developing at a rapid rate, she suggested that the industry can be far more efficient than it is.

Olivier Grimonpont, head of product management and market liquidity at Euroclear, added that there is a need to keep up with other jurisdictions, such as India, the US and Canada, that have already made, or are planning to make, the move to T+1.

Grimonpont went on to say that even legacy systems have the capability to work in T+1 or even T+0 cycles, with gaps in the overall process being bridged by the work of emerging fintechs. However, he acknowledged that there may still be "gaps within gaps" that the industry needs to address, particularly with the time constraints that faster settlement cycles place on problem solving.

Considering the actual change that a T+1 cycle would have, Romhanyi stressed that it is "not a simple 50 per cent reduction" from two days to one, but an 80 per cent reduction when taking into account overnight processing times — in reality, there may be mere hours between a trade and its settlement.

Pierre Davoust, head of central securities depositories at Euronext, cited reduction of time to process trade as the major client concern to be addressed before a migration to T+1, and considered the risk of increased settlement failures that could result from the shift, if the industry is not properly prepared.

Grimonpont agreed, stating that 40 per cent of settlement fails are currently due to them being unmatched, something that would only increase with shortened settlement cycles. He added that forcing T+1 into play too early could cause losses, but equally, friction between different countries using different settlement models means that Europe has "no choice" but to make the move.

Further exploring this issue, Hernani stated that although there is a reduction in counterparty risk as settlement cycles shorten, the operational risk is greatly heightened. While the T+3 to T+2 shift was "removing a buffer," moving to T+1 is far more risky.

He added that there are more issues that need to be considered when thinking about T+1 implementation in Europe when compared to other jurisdictions, such as the wide range of currencies and multiple central securities depositaries that will be in play.

A major question for the panel was when they thought that T+1 would be implemented, a question that was also asked of the audience. Romhanyi suggested three to four years, admitting that this may be "too ambitious" but that "we need to be ambitious," with it becoming difficult to explain why a T+2 format is still being followed.

The audience was largely in agreement, with 37 per cent responding in kind and 51 per cent even more optimistically believing that Europe will be in T+1 in the next two to three years.

Hernani questioned the timescales, suggesting that "if it is more than five years, why don't we use different technology?" He proposed that Europe think "outside the box" and invest in new, not existing technology when it comes to settlement cycles, being more disruptive to make the upheaval of change worth it.

Grimonpont was more cautious, stating that T+1 was necessary before T+0, to allow markets to adjust.

He added that there should have been communication between the US and Europe to coordinate the rollout of T+1, as there will be difficulties in harmonising settlements across different cycles.

The panellists were then questioned on the lack of T+0 taxonomy, to which Hernani again suggested a complete digital shift to avoid further operational risk. However, Romhanyi cautioned that as of yet the "technology is still not there".

Davoust raised the issue of timezones and pointed out that trading activity does not happen on a 24/7 basis but within specific trading hours, with a lot of trades processed at the closing auction. Settlement cycles need to reflect this reality, otherwise there would be a serious issue of liquidity availability, he said.

Concluding the panel, Romhanyi suggested that there is "still something we don't see," a "catalyst" that will change the industry mindset and facilitate T+1 in Europe. Although opinions varied on how and when T+1 will become a reality, the panellists concurred that it is an inevitability. "It will happen — the question is just the time," Romhanyi said. ■

Data difficulties

As ESG data becomes more in-demand, from both regulators and investors, problems around data availability and quality are becoming even more prominent. Are firms deliberately holding back information, or simply unable to source it?

Lucy Carter reports

Earlier this year, ESG sustainability requirements were made a part of MiFID II, and the US Securities and Exchange Commission (SEC) suggested that funds' ESG data should be more reliable and available. Yet disclosure of ESG data still proves an issue, with many firms seemingly reluctant to release information.

Along with regulation, there is market demand for ESG investment. EY's 2021 global Alternative Fund Survey found that two in five investors are investing in a range of dedicated ESG products, an increase from 2020's one in three. 79 per cent of investors surveyed named climate risk as their ESG priority when making an investment, and three quarters said that they are looking more closely at managers' ESG policies than they were two or three years ago.

Adding even more evidence of ESG demand to the pile, Dow Jones research ('Beyond Buzzwords') has found that two thirds of financial leaders believe that ESG investing is the primary driver of sustained, long-term growth. It seems like a no-brainer — sharing ESG data will help companies to attract investors, keep regulators off their backs, and ultimately gain capital. So why do some seem to be dragging their heels?

Lip service?

Although companies are showing an interest in improving their ESG engagement, it is as of yet unclear whether this is simply lip service. According to the EY survey, 79 per cent said that they are planning to increase their ESG infrastructure engagement to some degree over the next year, and 71 per cent plan to introduce or increase their ESG offerings.

The industry's fairly slow-moving engagement, particularly compared to public interest, may be due in part to a lack of certainty that ESG, as it currently exists, will be around for the long haul. CACEIS' Pat Sharman, country managing director for the UK, believes that ESG and climate risk concerns are not a "fad" but will become a standard, with their values becoming integrated into companies' responsibilities.

It is clear that whether or not firms believe in the longevity of ESG, regulations and client demand around it are not going away and companies have no choice but to change operations to meet their requirements.

Yet currently, even when data is released, its quality raises further problems. SS&C's report, 'Temperature's Rising: The

> ***"Companies need to provide compelling and auditable information that demonstrates their commitment to sustainability"***
>
> **Diane Eshleman, Delta Capita**

growing importance of ESG to EMEA M&A', found that 19 per cent of respondents deemed available ESG due diligence data quality as 'poor' or 'very poor'. A further 30 per cent found it to be merely 'acceptable'.

With companies disclosing neither ample quality or quantity of data, it is no surprise that regulators are having to step in.

Standardisation shortage

The current scarcity of data is not helped by the fact that there are no standardised data disclosure requirements, leaving companies able to publish whatever information they see fit without consideration for how it can be compared to other market data. Although the industry is slowly seeing development in this area, from upcoming SFDR II implementation to an increase in sustainable accounting standards board disclosures and various other updates in the pipeline, the process is slow-moving, and far behind investor demand.

Joanna Appleton, head of content strategy at Dow Jones Newswires, believes that this is a key barrier for the industry: "in the absence of a common industry standard, organisations are able to pick and choose which metrics to disclose".

The data becomes biased, and inconsistencies in reporting methods make it difficult, if not impossible, to make comparisons across the industry.

Similarly, Diane Eshleman, chief sustainability officer at Delta Capita, believes that a lack of consistency and an absence of agreed standards in self-reported data mean that it can be hard to trust. However, she also stresses the sensitivity of information being gathered — particularly on the 'social' side of things — and the difficulties that come with reporting and publicising this.

Keeping cagey

Of course, another reason that companies may be unwilling to share their ESG data is that it simply isn't up to scratch. With a public who are continually becoming more engaged with ESG issues, firms may be concerned that their lack of engagement could be more damaging to their image than their lack of transparency. At AFME's OPTIC conference, Larry Abele, chief investment officer at Impact Cubed, stated that firms were "hiding behind data issues" as a way to avoid taking action. While it is true that data availability and transparency are areas that need improvement, companies may be using this as a way out of disclosing their less-than-ideal statuses.

Back-office responsibilities

Although the front office is generally handed the task of improving ESG data quality, the middle and back offices also have roles to play, industry experts say.

The increase in regulations will mean that there is significantly more data in play, the responsibility of which will fall to "the already overloaded middle and back office," says Arun Sarwal, CEO of Broadridge Fund Communication Solutions. He advises that firms look to turn to a service provider to help them manage the burden, leaving them able to more efficiently source data and go through governance processes.

Dow Jones' Appleton expects standardisation of metrics and reporting to hit the industry in the near future. As a result, she predicts that "just as accounting practices are standardised for traditional metrics, so too will non-traditional metrics become more standardised. As this happens, responsibilities may shift away from corporate communications and corporate sustainability offices and to finance departments."

Although the back office may think it is in the clear, ESG data issues will spare no one as time goes on, ESG commitments increase, and regulation tightens.

Young investors

Looking at the use of ESG data now and in the near future, the Dow Jones survey found that 28 per cent of sustainable investment enquiries come from Gen Z (12-26 year-olds). Yet, only 16 per cent of firms polled said they were targeting this demographic for ESG growth.

At this year's Association of the Luxembourg Fund Industry (ALFI) Global Distribution Conference, a panel of young market participants stated that ESG concerns were high on the list of what millennials and Gen Z are looking for when it comes to investment opportunities. One speaker went as far to say that ESG was a priority above returns, while another stressed the need for clarity around the topic.

It is clear that the industry needs to change its approach to appeal to this younger demographic, given their increased awareness of ESG concerns — but can firms really change their spots? And do they genuinely think it is worth it to try?

A growing number of US Republican politicians want to penalise Wall Street investors who consider ESG when investing clients' money, demonstrating the resistance from conservative audiences. While firms may wish to appeal to a younger market, they could risk losing more conservative established clients.

According to Sarwal, young people are "very ethically minded and interested not only in economic return but also in impact investing", and are ready to dig for data to support companies' ESG claims.

However, they may have difficulty in finding the information that they need — or making sense of it once they have. Dow Jones' Appleton states that although young investors "want to support companies which share their values," a significant barrier that they face is a "lack of education" — and much of the industry does not want to teach them.

Despite the rise of investment apps (which have been a major driver of youth investment, according to the ALFI panellists), potential investors are looking for clear data and expert advice, and coming up empty.

Stressing the importance of engagement with a younger demographic, Appleton says: "Financial professionals that focus their attention on the next generation of investors early into their investment journey have the opportunity to build strong, long-lasting connections with this group as they come of age and enter their prime earning and investment years. By understanding their motivations, addressing their fears and adapting to their unique investing habits, the financial community has an opportunity to better connect with this demographic, earn their trust and play a vital role in their education."

As Delta Capita's Eschleman says, "companies need to provide compelling and auditable information that demonstrates their commitment to sustainability." She reiterates the fact that young investors are looking for genuine commitment, stating that companies must be "more credible when they articulate and commit to ambitious goals for continued improvement across all of the relevant metrics."

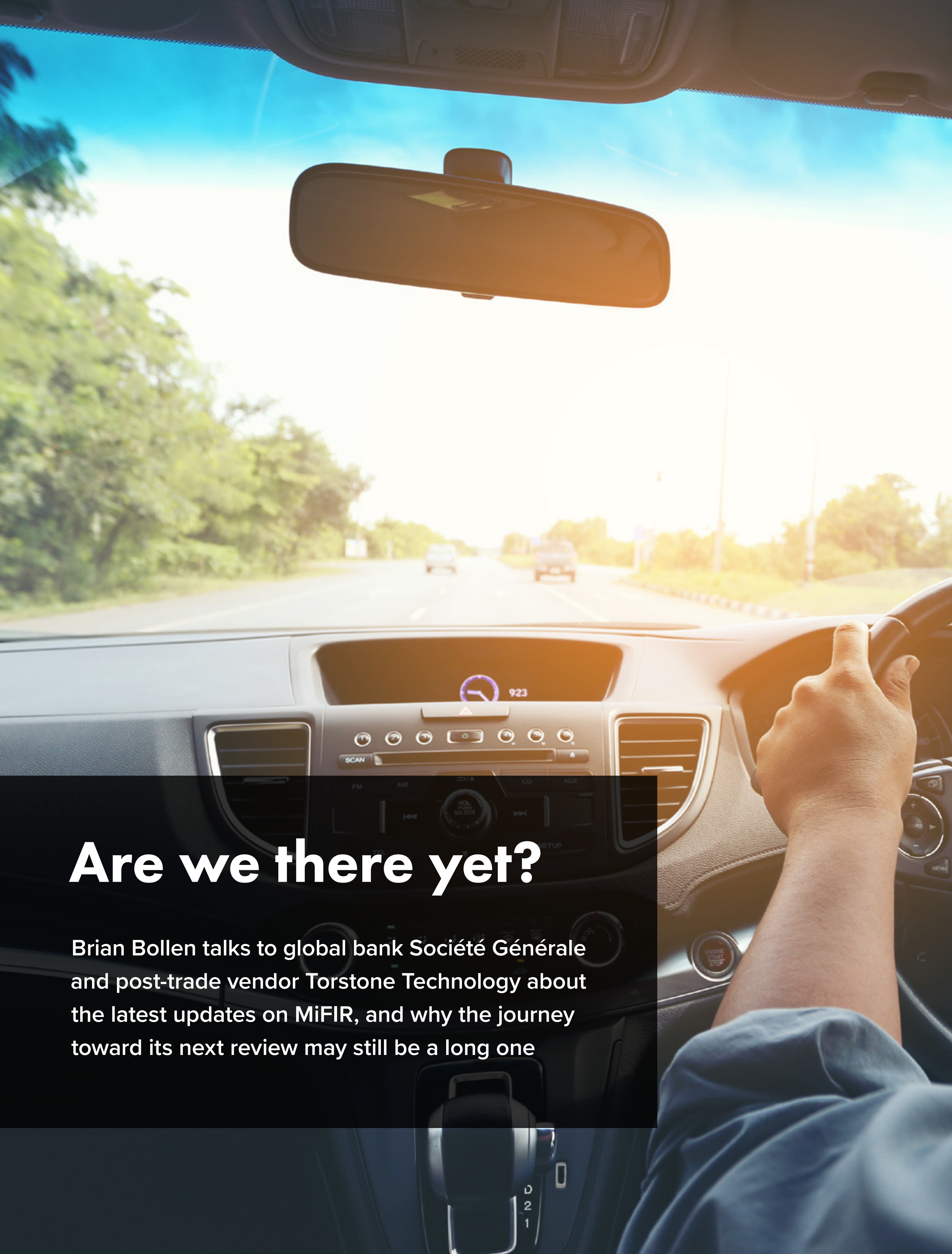
Firms can no longer get away with throwing out scraps, and will have to fully commit to ESG approaches if they want to gain this growing market's approval. As can be seen through the range of surveys around the topic, although they may be the most vocal group, it is not just young investors who are showing an interest in ESG.

On the right path?

While it may be easy to criticise the industry for its lack of ESG commitment, there are certainly signs that it is heading in the right direction. SS&C's report also found that 41 per cent of respondents had turned down at least one M&A deal as a result of ESG concerns. This does suggest that there is change afoot — perhaps companies are, in fact, taking ESG into consideration, despite the undeniable data issues that surround it.

Dow Jones predicts that ESG investment will more than double over the next three years, yet right now it is difficult to see how this will come to fruition. As clients become more interested in sustainable investments, companies need to rethink how they produce, manage and report their ESG data.

ESG policies are only growing in importance, and with issues of greenwashing and false claims widely publicised, investors are savvy at sniffing out any twisted truths or outright lies. The current data situation will not cut it any longer, and firms must move quickly or risk losing out on investors and, ultimately, capital. ■



Are we there yet?

Brian Bollen talks to global bank Société Générale and post-trade vendor Torstone Technology about the latest updates on MiFIR, and why the journey toward its next review may still be a long one

The magnitude that the Markets in Financial Instruments Regulation (MiFIR) represents means that it has become something of an industry in itself, driven and fed by a panoply of European Union institutions, endlessly spawning dedicated committees and working groups.

MiFIR and the Markets in Financial Instruments Directive (MiFID) are the guidelines and rules that govern the European financial markets. They were created to strengthen investor protection, increase transparency and make these markets more efficient and resilient.

"There is currently a review in progress," notes Jean-Pierre Gomez, head of regulatory and public affairs at Société Générale Securities Services in Luxembourg, when considering MiFIR.

"That is quite natural," he continues. "Every time new regulation is introduced, not everything goes exactly according to plan, and the outbreak of COVID-19, the sudden surge in inflation globally, and the UK's departure from the European Union, have all exacerbated matters."

He sees no rush to complete the review, and predicts that it will not be completed in 2023.

Consolidated tape

Invited to cast an eye over the subject, David Pearson, product manager at Torstone Technology, identifies two clear industry debates. One, there is no real concrete movement on what to do about the consolidated tape (CTP), which is seen as necessary to enhance safety for investors and boost the orderliness of markets and transparency of pricing therein. Europe's introduction of CTP, a high-speed, electronic system that reports the latest price and volume data on sales of exchange-listed stocks, is currently being deliberated by the European Council and Parliament.

In early April of this year, The European Fund and Asset Management Association (EFAMA), together with a number of its members, wrote an open letter to the European Commission to encourage the introduction of a standard CTP to the European market.

EFAMA, and the asset managers involved in the industry letter, highlight that the logistics necessitated by the COVID-19 pandemic "accentuated the need for a tape, both in providing

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> ***"There was talk of a CTP under MiFID a dozen years ago. Nothing is happening, and this is frustrating. If you are executing trades in a market, you want precision"***
>
> **David Pearson, Torstone Technology**

critical data for liquidity risk management, and also as critical infrastructure to allow trading continuity in the event of an exchange outage".

In addition, EFAMA and others said that the CTP data can also drive retail investor behaviour.

As the letter further outlined: "Post-COVID, we have noted greater retail investor participation and interest in equity markets. This nascent interest should be nurtured, and investor confidence and the ability to receive best execution enhanced through the existence of a CTP."

Later in June, ESMA said in an update: "The CTP calculations will resume at the next regular publication date on 1 February 2023, based on an observation period from 1 July 2022 to 31 December 2022." And so, we wait.

Mirroring this affirmation, Torstone's Pearson says the industry seems to have gotten "stuck".

He continues: "The equities departments and businesses say: 'it is great, we love the idea of a CTP. Can you do fixed income first?' And guess what, we talk to the fixed income side and they say: 'we love the idea of a CTP; let us know when you have finished the equities bit'. No one is taking responsibility, and that is without even talking about who is going to build and pay for the necessary infrastructure."

"There was talk of a CTP under MiFID a dozen years ago. Nothing is happening, and this is frustrating. If you are executing trades in a market, you want precision; you want price formation to be as clear as possible, you want to know what trading is taking place, so you can formulate the right kind of investment, make the right investment decisions on the buy-side and trading decisions as a broker."

As markets and market participants look to the EU for guidance, action, clarity and a rigid timetable, it is almost impossible to ignore the suggestion that anything that is dependent upon the will of the rotating presidency will ever translate the necessary guidance.

The second ongoing debate identified by Torstone's Pearson is deferrals of trade reporting in fixed income.

He comments: "If you execute business, you have to report, and that report is available for the market to see. There was a deferral system in London over 40 years ago, but if you do a very large or 'jumbo' trade, you can defer the report in order to help unwind the position and reduce your risk."

"If I recall correctly, the London regime was five days long," Pearson adds. "In the US, they are now proposing to make all trade reporting across the full remit of size one minute. Virtually instantaneous, regardless of the size of the fixed income trade. This of course will have implications for the size of individual trades, which will reduce, as no one will want to take on a jumbo position in one fell swoop."

In the EU, meanwhile, end of day reporting, or end of week for jumbo trades, remains allowed, and there was one suggestion made at a session at the October Sibos gathering in Amsterdam that there could be a deferral of up to two months for jumbo trades.

The future of MiFIR

Haggling, it seems, will continue for the foreseeable future. In the meantime, the reality of life in markets threatens to remain stubbornly out of alignment with the idyll sought by EU regulators.

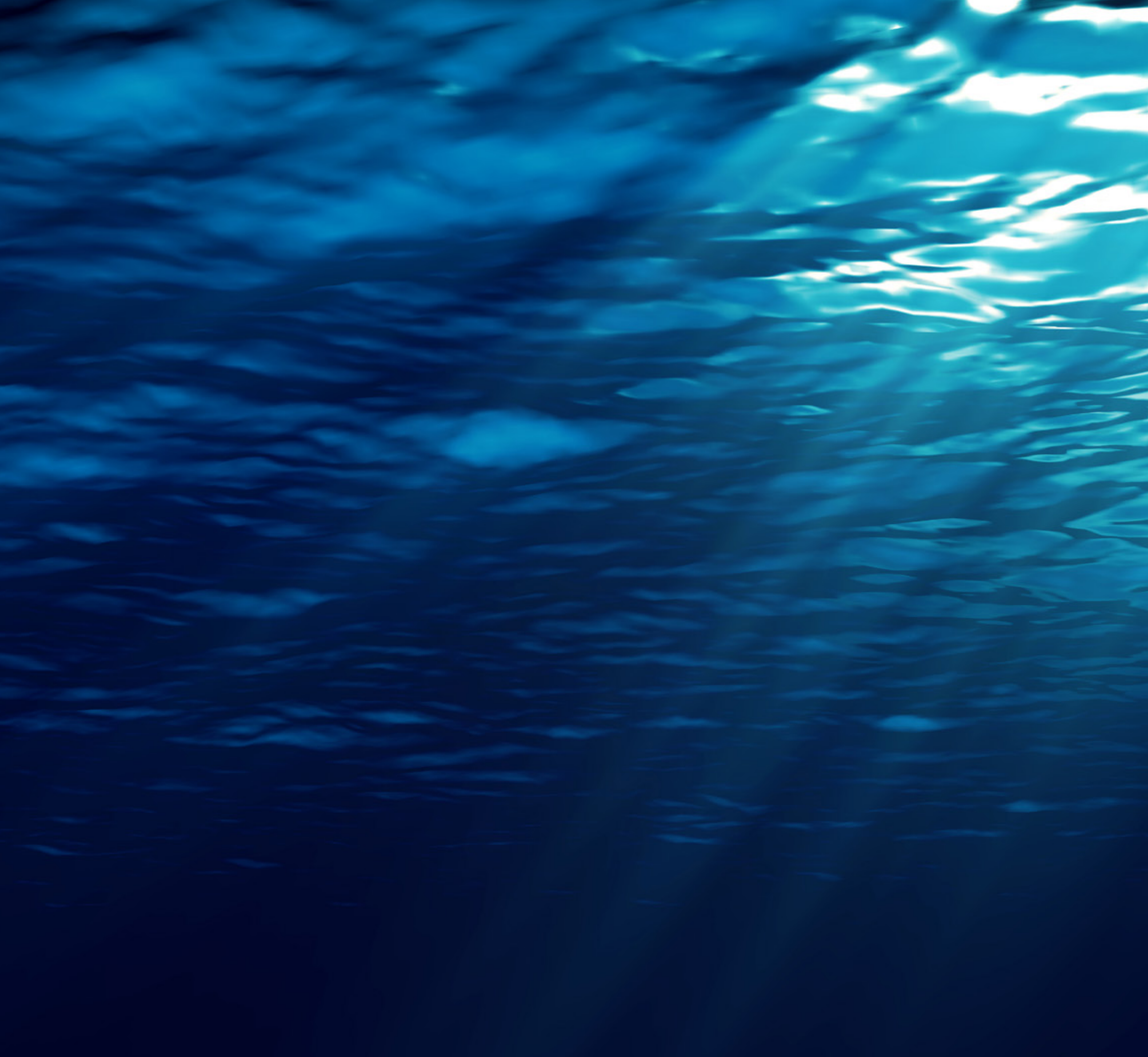
The Central Securities Depositories Regulation (CSDR), notes David Pearson, was devised to tackle settlement failure rates that were deemed to be unacceptable. Under CSDR, failure rates have risen. Regulation may have, in effect, made matters worse.

Against this backdrop, Torstone's Pearson commits to continuing the persual of its mission to help clients automate, "especially if T+1 settlement makes the progress envisioned in the US," he concludes. ■



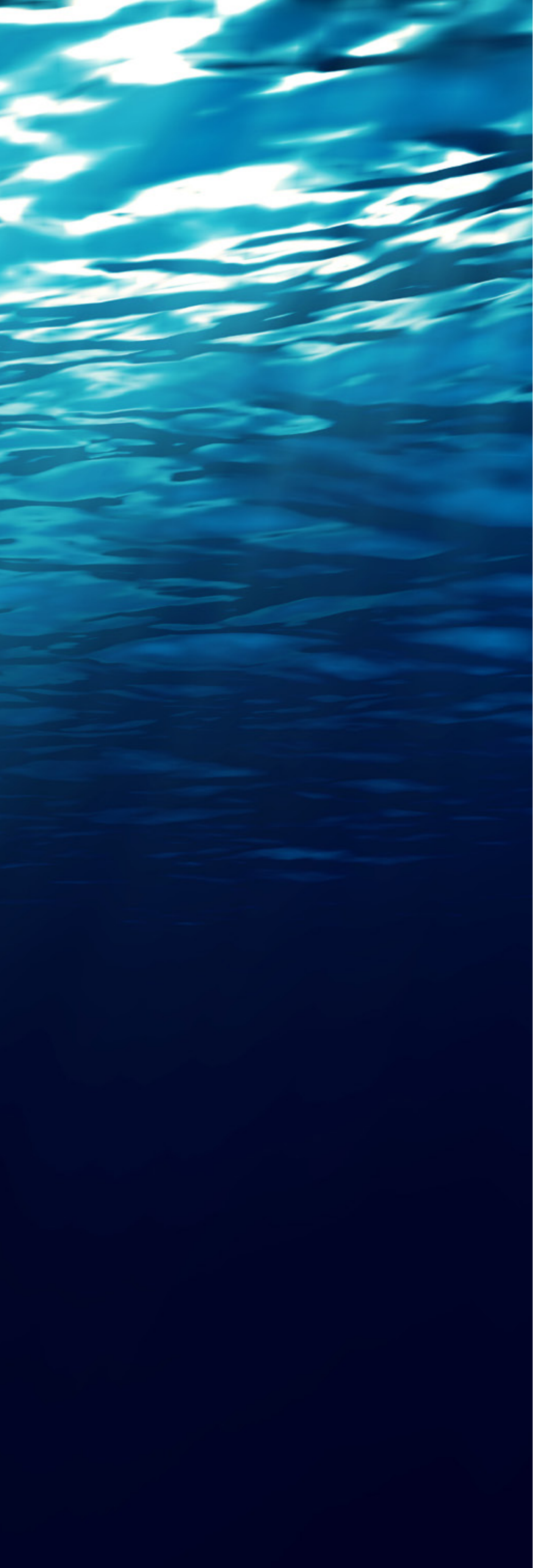






In deep waters

Deep Pool's Roger Woolman outlines why a flood of money laundering instances in recent times have piled pressure on financial institutions' defences



Europol estimates indicate that approximately 1 per cent of the European Union's annual GDP is "detected as being involved in suspect financial activity".

Figures from the United Nations Office on Drugs and Crime suggest that between 2 per cent and 5 per cent of global GDP is laundered each year.

Faced with such a vast problem, the European Commission says the fight against money laundering is now vital for financial stability and security – hence the extensive package of legislative proposals it put forward last year aimed at improving activity detection and closing the loopholes criminals use to launder money.

The 3 stages of money laundering

For the banks, investment managers, trust companies, advisors and fund administrators at the front line of the anti-money laundering (AML) fight, an effective defence entails a company-wide understanding of the three stages of money laundering, with appropriate countermeasures implemented to stop them.

- **Placement**

  Placement is where the 'dirty' money from criminal activity enters the financial system. Common methods include blending illegal funds with legitimate takings of cash businesses such as car parks, car washes, casinos, tanning studios and strip clubs; raising dummy invoices to make it look like a true payment has been made; depositing small amounts of money below the AML reporting threshold into bank accounts; and hiding laundered money in offshore accounts to conceal the real beneficial owner's identity.

- **Layering**

  Layering distances the illicit money from its source by adding layers of financial transactions, often involving international movements of the funds. The aim is to obscure the audit trail and make tracing the source and ownership of the funds as hard as possible. Layering transactions may include converting cash into travellers' cheques, money orders, wire transfers, letters of credit, stocks or bonds, or purchasing assets such as art and jewellery.

- **Integration**

  During the integration stage, the now-laundered and apparently legitimate money is reintroduced into the economy as 'legal' tender and reunited with the criminal. Investing in luxury items such as art, jewellery and expensive cars, making financial investments and buying businesses or real estate are common techniques.

AML best practices

Each of the three money laundering stages can be extremely complex, posing huge challenges for financial institutions as they work to spot and stop incidents. With different jurisdictions adding their own spin to local AML rules, firms' controls need to be both robust and adaptable.

Training is one crucial component in institutions' AML efforts – ensuring staff know what red flags to watch for, and that they adhere to well-defined processes.

Those processes also need to be effective and consistent. The criminal conviction and £265 million fine meted out to the UK's NatWest Bank in December 2021 stemmed from its failure to properly monitor and scrutinise suspicious transactions. The case revealed how over a five-year period £365 million was deposited in the NatWest accounts of Yorkshire gold trader Fowler Oldfield, including £264 million in cash. Fowler Oldfield had been misclassified for periods as both a low-risk and medium-risk business, and was not reviewed annually. And while staff raised concerns about the deposits, no action was taken by the bank.

Client onboarding

Combatting money laundering today is impossible without a sophisticated, multi-jurisdictional AML infrastructure able to deliver automated, real-time visibility and control at every stage of the customer lifecycle. An effective AML programme demands complete and accurate information, so it needs to be right from the get-go. That starts with client onboarding, an area where global rules continue to tighten.

The EU's recent legislative proposals call for more granular customer due diligence measures. Tougher beneficial ownership laws will introduce new requirements around nominees and foreign entities, and more detailed rules to identify beneficial owners of corporations and other legal entities.

It echoes the US AML 2020 Act, under which corporations and limited liability companies must now disclose their beneficial owners – with higher fines for AML violations. Meanwhile, stricter beneficial ownership rules agreed in March by the Financial Action Task Force, the world's AML watchdog, significantly strengthen the requirements for beneficial ownership transparency globally to tackle concealment and the abuse of legal persons.

Yet many institutions' onboarding steps remain paper-based and highly manual, making account set-up processes tedious and error prone. Client onboarding teams must perform hundreds of manual tasks each day to verify the identity and assess the risk and suitability of every new customer.

Typically that involves numerous back-and-forth interactions between firm and client, with reams of paper deliverables. Employees may be forced to re-key the same data into multiple systems and spreadsheets, manually access third-party systems and liaise with different teams across the globe. The data will be spread across different departments, with no single source of truth. The levels of AML rigour regulators now seek become impossible to achieve, increasing the risk of hefty fines and lasting reputational damage.

The solution lies in a digitalised, automated onboarding framework – one that can deliver the risk controls regulators demand, while providing significant internal operating efficiencies, proper scalability and a smoother onboarding experience for legitimate clients.

An automated risk-profiling capability collates and weights multiple data points, such as the investor's occupation and country of domicile, or the industry an organisation belongs to. It enables firms to develop a risk-based picture of prospective clients when performing their initial due diligence, helping determine what level of checks and ongoing monitoring are required. Integrating with third-party watchlists to check for flags of any criminal behaviour further strengthens the risk profiling.

Identifying and tracking underlying beneficial owners is a particular pain point for institutions, demanding levels of transparency and ongoing monitoring that many struggle to meet. Advanced investor and beneficial owner screening able to track complex, multi-level ownership structures enables users to identify and verify underlying customer and beneficial ownership identities, and flag high-risk relationships.

Checking the source of a client's wealth and funds adds an extra layer of screening protection.

Automated document checklists then ensure all the supporting information each jurisdiction requires has been captured and that the firm's compliance responsibilities in every market have been met.

Ongoing due diligence

AML does not stop with onboarding. Ongoing client due diligence is just as important to identify, mitigate and manage fraud risk, with zero room for error.

Client profiles and accounts must be reviewed periodically (typically every year for high-risk clients) to ensure all documents and data remain current. Missing or expired documentation needs to be updated. Continued screening and risk profiling to monitor for any change in client status are similarly vital.

A change of circumstance such as a name or address update, or any information modification – revising the name on a bank instruction, for example – can be a red flag.

Monitoring for unusual or suspicious transaction activity is another priority. This was one of the big deficiencies in ABN AMRO's anti-money laundering programme, a shortcoming that ended up costing the bank €480 million.

Failure to transition from a manual transaction monitoring and case management set-up to an automated capability was likewise a major factor in the $30 million penalty the New York State Department of Financial Services (DFS) handed down in the summer to Robinhood Crypto.

"Transaction monitoring is a cornerstone of an effective BSA/AML programme," observed the DFS order. "It must be conducted thoughtfully, efficiently, and in a manner commensurate with institutions' business profiles."

Definitions of suspicious activity change over time and across jurisdictions, and monitoring capabilities need to keep pace, though many firms rely on manual reviews to investigate suspicious activity, conducted in retrospect.

Real-time suspicious activity monitoring tools can help expose fraud by spotting AML risks and creating automated alerts of suspicious activity or behaviours, enabling any potential issues to be addressed before they become an actual breach. Automatically blocking accounts or transactions when suspicious events occur offers an additional safeguard.

Where the transaction alerts warrant, suspicious activity reports need to be sent to the relevant regulatory body within their stipulated time frames – another area where Robinhood Crypto was found wanting.

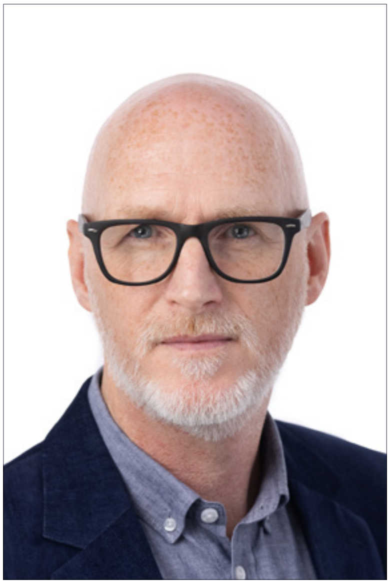
Can you meet your responsibilities?

Money laundering is a growing, multinational blight, one that employs increasingly sophisticated tactics to achieve its goals.

Financial institutions need matching preventative capabilities if they are to fulfil their responsibilities as front-line guardians of the international financial system.

That requires integrated AML systems and processes that are truly up to the job. Are yours? ■

Roger Woolman
Chief revenue officer
Deep Pool



Stephanie Ferris becomes CEO of FIS

FIS has appointed Stephanie Ferris as CEO and a member of the board of directors, in addition to her current role as president of the company, effective 1 January 2023.

Current CEO, Gary Norcross, will become executive chairman of the board. He has held the role for the past eight years, in which time the company has grown from a US$6 billion to a $14 billion business.

During her tenure as president, Ferris has been responsible for FIS' global business strategy and operations. Across three decades she has served in several senior roles, working for FIS for more than ten years and integrating payment processing company Worldpay into its services.

Commenting on her appointment, Ferris says: "I am honoured to assume the CEO role from Gary and sincerely appreciate his partnership and mentorship. Few companies can match FIS' rich, stellar history, industry-best breadth and scale and focus on innovation. We are uniquely positioned to chart the course for fintech innovation, and I am excited to lead the company into its future."

Norcross adds: "Stephanie has continually demonstrated tremendous leadership and bold actions in achievement of our goals. Under her leadership, I am confident that FIS will remain focused on delivering meaningful experiences to our colleagues, clients and communities and strong value to our shareholders." ■

Advisory and administrative support firm Vistra has appointed Marlyn Ramirez as director of real estate fund operations, US.

Based in New York, Ramirez will lead the US real estate funds business and all related operations. She will provide technical expertise to both existing and prospective real estate fund managers — underpinned by Vistra's core real estate technology application, Yardi Investment Management.

Ramirez joins Vistra with 20 years' experience in real estate fund accounting, investor reporting, fund returns and investment management accounting systems implementation.

Prior to joining Vistra, Ramirez served as a senior consultant for Yardi Global Services' PSG Investment Management team where she was responsible for the full-service Yardi Investment Management implementation for North American real estate fund managers.

Commenting on her new role, Ramirez says: "I am excited to join a world class organisation like Vistra as they transform the industry and take the business to new heights. I look forward to working with colleagues in the US and around the world to drive growth for the real estate sector and to help clients achieve stronger results as they invest in and grow their real estate funds."

Scott Kramer, managing director of Vistra's alternative investments, comments: "Vistra's real estate business is experiencing unprecedented growth, requiring a dynamic, experienced leader to forge our path forward for even greater client success. Marlyn was our choice candidate, given her relevant leadership experience and technical expertise. We are excited for her valuable contributions as we continue to scale our business."

SS&C Technologies has appointed Stuart Cureton as sales director, based in the UK.

Cureton has almost three decades of experience in the industry, working with companies such as HSBC Securities, JP Morgan and IBM throughout his career.

He joins the company from Société Générale Securities Services, where he has served for more than five years as head of asset managers and insurance sales across the UK and Ireland.

Prior to this, Cureton was a sales manager at data management firm Kneip.

The International Organization of Securities Commissions (IOSCO) has appointed Jean-Paul Servais as chair of its new IOSCO Board, replacing Ashley Alder.

The Board also appointed two new vice chairs: Ariizumi Shigeru, vice commissioner for International Affairs, Financial Services Agency, Japan, and Rostin Behnam, chair of the US Commodity Futures Trading Commission.

Alongside his duties as chair of the IOSCO Board, Servais will continue to be chairman of Belgium's Financial Services and Markets Authority and chair of the European Regional Committee.

Commenting on his appointment, Servais says: "IOSCO plays an increasingly important role in ensuring the smooth functioning of today's capital markets and protecting investors, and I look forward to building on Ashley's legacy after his six fruitful years at the helm of IOSCO." ■

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Kaizen Reporting welcomes Matthew Vincent

Regulatory technology firm Kaizen Reporting has appointed Matthew Vincent as a managing director. Vincent has more than 30 years of experience in financial services, including more than 10 years' experience working in regulatory reporting functions at Tier 1 banks.

Prior to joining Kaizen, Vincent spent three years at the London Stock Exchange – UnaVista, where he was the director of regulatory reporting strategy.

This included providing MiFIR reporting subject matter to clients in the UK and EU.

Vincent was also head of MiFID regulatory reporting at Credit Suisse for five years, and previously worked for Barclays Investment Bank in the operational compliance team, advising on MiFIR transaction and EMIR reporting. He also worked at Citigroup and Deutsche Bank.

He is a member of the Consultative Working Group supporting ESMA's Market Data Reporting Working Group and chaired the UK Finance Transaction Reporting Working Group for more than ten years.

Commenting on Vincent's appointment, Dario Crispini, CEO of Kaizen, says: "Matthew is a well-known and respected industry specialist and it is great to have him on board. He brings a wealth of experience and a deep understanding of the industry and reporting regimes."

"Regulators across the globe are increasingly vocal that they expect the highest quality of regulatory reporting data from all firms and, with the addition of Matthew, we can continue to meet the demand from our clients for high quality services that help them to meet their reporting obligations and manage their reporting risks." ■