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ISSUE 303 09 November 2022

Tale Of Two Islands

How Guernsey and Jersey are faring against current global macro events and economic headwinds

The Right Choice

MYRIAD on the immense challenges associated with initiating an in-house build

Fund Operations

RBC I&TS' Ryan Guichon outlines the reasons behind the explosion of algorithmic trading

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AST celebrates best in business

Last Friday (4 November) Asset Servicing Times (AST) hosted its second Industry Excellence Awards. The ceremony took place at The Londoner Hotel, Leicester Square, a five-star venue in London. Through this event, AST recognised leaders in innovation and service excellence across the asset servicing industry.

The Securities Service Advisory Group (TSSAG) joined AST in evaluating entries for the 25 award categories, providing an independent and objective assessment process to identify industry leaders and areas of outstanding contribution.

Scotty Mills, former Major Royal Marine and global keynote speaker, presented the awards and delivered a thought-provoking keynote speech.

The team at AST would like to extend their thanks to Scotty Mills, TSSAG and all those in attendance who helped to make the night unforgettable.

AST founder and group publisher, Justin Lawson, says: “I am delighted at the response we have had for AST’s second Industry Excellence Awards, following our first successful awards last year.

More than 200 people came together for the event, with networking continuing into the evening. We hope to see you all again for our next event.” ■

assetservicingtimes

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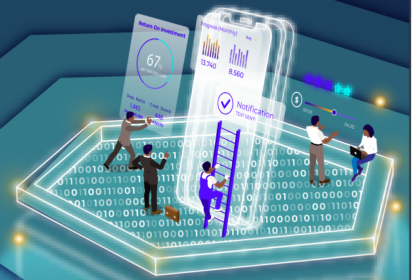

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Standard Chartered launches payouts solution

Standard Chartered has launched a programmable payouts solution, Payouts-as-a-Service (PaaS), which allows digital businesses to manage payments to parties in their ecosystem. The platform is currently available through five e-commerce hubs in India, Malaysia, Singapore, the UAE and the UK.

Clients can manage complex pay-out constructs including split and scheduled payments, with conditional payments and automation possible through a single integration. This will reduce time and cost expenses, the company says.

Using application programming interfaces (APIs), payments can be embedded and automated on clients' digital commerce platforms. Transaction details and payment preferences are provided in real-time, with Standard Chartered executing payment contracts based on this information. Through this process, clients and counterparties do not have to issue separate payment instructions.

Philip Panaino, global head of cash and transaction banking at Standard Chartered, says: "To support businesses in capitalising on the economic growth driven by today's digital economy, banks have an important role to play in enabling and facilitating future-ready payment solutions between all parties in the ecosystem.

"Our PaaS solution aims to [meet] our clients' evolving embedded payments needs, with the ability to contextualise and configure payment contracts to meet their desired business outcomes."

Aayush Singhania, head of product and partnerships at Tazapay, adds: "PaaS allows Tazapay to create transaction level payment contracts that are aligned with our customer journey for escrow protected payments and marketplace pay-outs."

ESMA withdraws third-country recognition from six Indian CCPs

The European Securities and Markets Authority (ESMA) will withdraw third-country central counterparty (CCP) recognition of six Indian CCPs under the European Market Infrastructure Regulation (EMIR), with this decision taking effect from 30 April 2023.

These are the Clearing Corporation of India (CCIL), the Indian Clearing Corporation Ltd (ICCL), NSE Clearing Ltd (NSCLL), the Multi Commodity Exchange Clearing (MCXCCL), the India International Clearing Corporation (IFSC) and the NSE IFSC Clearing Corporation Ltd (NICCL).

Under the terms of EMIR, ESMA was required to review and tier recognition of all third-country CCPs that received recognition before 21 September 2022.

On the basis of its assessment, the European securities market regulator concluded that the cumulative conditions for recognising these third-country CCPs under EMIR have not been met, since no cooperation agreements have been established between ESMA and the relevant Indian market authorities in accordance with EMIR Article 25(7).

These regulatory authorities are specifically the Reserve Bank of India (RBI, which supervises CCIL), the Securities and Exchange Board of India (SEBI, which supervises ICCL, NSCCL and MCXCCL) and the Indian Financial Centre Services Authority (IFCSA, which supervises IFSC and NICCL).

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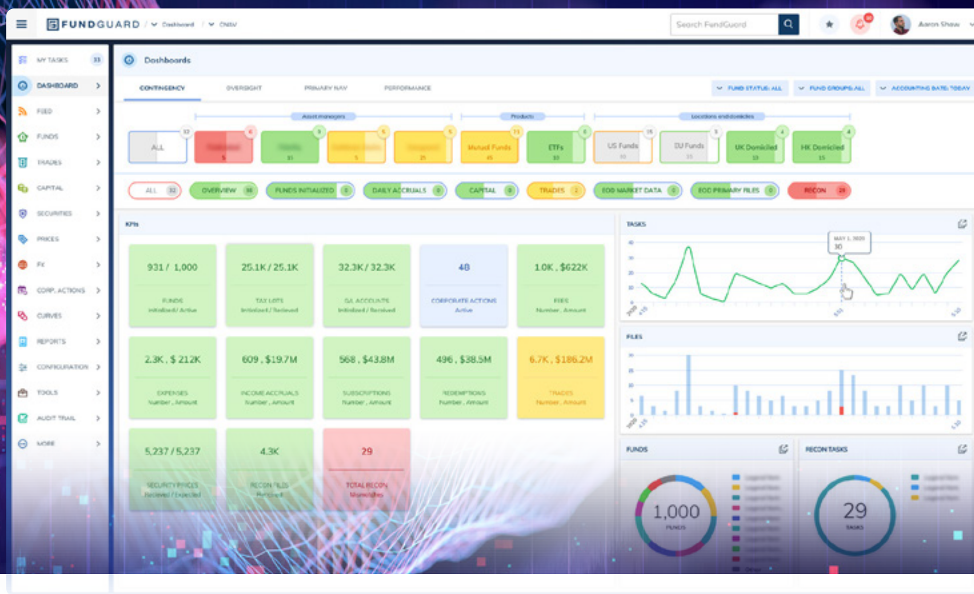

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As a result of this decision, which was finalised on 31 October, these six third-country CCPs will no longer be authorised to provide services to clearing, members and trading venues established in the European Union.

ESMA will defer the application of these withdrawal decisions until 30 April 2023, indicating that it wishes to minimise any adverse impact that this may have on EU market participants.

Currently, 41 third-country CCPs, established in a country outside of the EU, have been recognised to offer services and activities within the Union.

Waystone completes TBFS acquisition

Institutional governance, risk and compliance solutions provider Waystone has acquired T. Bailey Fund Services Limited (TBFS). The transaction comes as a response to an increased demand for UK domestic products in the industry.

As an established independent UK authorised corporate director (ACD) and fund administration service provider, TBFS will help to continue Waystone's expansion in these markets.

TBFS will continue offering its current services, alongside a wider pool of resources and expertise, to its fund manager clients. Thanks to Waystone's knowledge and resources, TBFS will gain improved compliance systems, regulatory support and multi-jurisdictional offerings.

Rachel Wheeler, CEO of global management company solutions at Waystone, comments: "The addition of TBFS means we are able to offer our clients a premium, fully serviced ACD offering, allowing us to meet the growing demand from the UK funds industry looking to launch domestic products. This combination demonstrates our commitment to the UK market and the importance we see for it in the global fund industry."

Jessica Kirk, CEO of TBFS, says: "The agreement provides TBFS with a solid foundation for future growth. TBFS operates in a rapidly-changing industry and maintaining a service that remains both relevant and high quality is key. Experienced personnel, compliance and operations are critical to ensuring our service proposition continually evolves with the needs of the market. We look forward to working together."

ValueExchange report emphasises importance of tokenisation preparation

The ValueExchange has published a report on 'Doing Tokenisation Right,' offering insights and advice to market participants who are unsure how, or why, to start their tokenisation journey.

According to the report, moving to a tokenisation model across the ecosystem will be universally beneficial. Issuers will see reduced settlement risk, faster information relay and a 'golden source' of information, and intermediaries will be able to operate at lower costs and benefit from the convergence of cash and crypto, simplifying operations. For investors, trade execution will be improved and passive valuations will be replaced by active, data-driven management. Liquidity in fund trading will be increased, and yields will be higher overall.

Considering how market participants can implement tokenisation into their operations, the report highlights that

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preparation and platform design need to be considered before execution.

Preparing for tokenisation will require the convincing of stakeholders, who may be unaware of the benefits of the system.

Similarly, those within the company must be educated as to how the shift will impact them, and what the company's future will look like.

"This is no overnight journey — nor can it be done passively," the The ValueExchange warns. Tokenisation will not be a quick fix, but will require careful planning and execution.

As a part of this planning process, businesses must consider exactly what their clients need from tokenisation, rather than following a generic or flashy route.

Working out exactly what is required, what needs to be prioritised and what will be most beneficial to client and company is essential.

Once these questions have been answered, the report says that platform design is the next area to address. The ValueExchange advises that firms tokenise existing securities before issuing natively digital offerings.

Connecting digital assets to legacy systems will be a challenge, in terms of both cost and practicality.

Whether private or public blockchains are used is a further consideration that firms must face, with data privacy an increasingly vital issue.

Interoperability will be another concern, one that will require significant cooperation between market participants as digital asset tokenisation is more widely adopted.

When executing tokenisation, the report emphasises the importance of cooperation, talent identification and expecting slow and steady progress rather than an immediate change.

Broadridge launches new solution for SFDR compliance

Global fintech company Broadridge Financial Solutions has launched an end-to-end managed service solution to better support European asset managers in meeting their compliance obligations for the upcoming Sustainable Finance Disclosure Regulation (SFDR II).

Designed for asset managers looking after EU-domiciled funds, and UK funds being marketed to EU investors, Broadridge's new managed service solution offers support for all aspects of the composition, production, translation and hosting of required disclosures under the regulation.

Starting 1 January, 2023, SFDR requires asset managers to consider and disclose how ESG factors are adopted in their decision-making processes.

For funds that come under SFDR's Articles 8 and 9 compliance rules, this includes a pre-contractual disclosure, periodic disclosure and website disclosure.

Additionally, starting 30 June 2023, asset managers will also be required to produce a principal adverse impact (PAI) statement to determine the impact of their investment decisions on sustainability factors.

Broadridge's new solution allows documents to be translated into 35 different languages in line with the requirements, and distributed across a variety of channels, including embedded URLs or a document library, for dissemination to platforms or additional end points.

Broadridge Fund Communication Solutions manages and distributes data for more than 1000 global fund groups and supports over 200 million fund data requests each year.

Afzal Amijee, commercial director at Broadridge Fund Communication Solutions, says: "Asset managers continue to navigate a very complex and changing regulatory landscape and are under increasing pressure to disclose more ESG data to investors.

SS&C Aloha shows strong client growth

SS&C Aloha, SS&C Technologies' (SS&C's) front-to-back-office operations platform, has been adopted by more than 25 global clients over the past year. The cloud-native platform uses a single system and data model to improve and simplify investment operations.

Providing real-time updates alongside advanced technology including artificial intelligence, machine learning and an operational chatbot, SS&C Aloha will allow for an intuitive user experience across all functions and asset classes, the company says.

SS&C Aloha is a modular platform, allowing clients to use critical capabilities and add further operations as required. The platform is currently used in more than 15 countries by financial services firms and asset and wealth managers.

Christy Bremner, general manager of SS&C institutional and investment management, comments: "Born in the cloud and built with today's advanced intelligent technologies, SS&C Aloha streamlines

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Ryan Bessemer, CEO of Trustees Executors — an Australian-based firm using SS&C Aloha — says: "We want to provide clients with a consolidated view of their investments, a wide pool of potential investments, and a great user experience.

"SS&C Aloha's single database supports this consolidated view, and its advanced API service built on open architecture will let us connect with various other investment providers and sources."

FCA publishes pension dashboards rules

The Financial Conduct Authority (FCA) has published its pension dashboards rules for pension providers, effective 31 August 2023. FCA regulated pension providers must connect their personal and stakeholder pension schemes to the Money and Pensions Service's (MaPS') digital architecture (in line with the service's standards and guidance), and be ready to receive requests to find pensions, search records for data matches and return informations to consumer pension dashboards.

Pensions dashboards are secure digital interfaces through which information about pensions not yet in payment can be viewed. These will allow consumers to more efficiently plan their requirements and make more informed decisions about their pensions. Through the new rules, the FCA aims to encourage increased engagement with pensions, digitise the pensions sector and offer greater pension information access. In turn, the FCA predicts that this could drive market competition as consumers will be able to communicate what they want from their pensions.

In 2022, the Pensions Policy Institute estimated that more than 2.8 million pension pots are 'lost' — meaning that consumers no longer receive provider communications about them. Additionally, according to the FCA's 2022 Financial Lives Survey, 30 per cent do not know the approximate value of their pension, and 31 per cent cannot recall receiving a provider statement over the past year. ■

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Tale of two islands

Brian Bollen looks at Guernsey and Jersey's approach toward sustainability initiatives, regulation and how they are faring against current global macro events and economic headwinds

Jersey and Guernsey benefit from the desire of institutional investors to do business in areas with political and economic stability, robust regulation relating to increasingly fashionable elements such as ESG, and a strong legal environment.

Jersey's success in growing US business flows, and its strategy to diversify its proposition for the US asset management market, were highlighted during an extensive roadshow in the country from 17 to 27 October.

The venture, billed as Driving Stateside Ambition: The Future of Funds, took place across Chicago, New York, Miami and San Francisco.

This year marks three years since Jersey Finance opened an office in New York to bolster its visibility in the US market, and since then the number of US-originated fund structures in Jersey has grown 61 per cent, while the value of US-originated fund assets under management services in Jersey has risen by 22 per cent (Monterey).

Jersey Finance says that growth has been delivered based on the clear premise that the island can provide a gateway into Europe for US managers. Enhancements to Jersey's Limited Partnership legislation earlier this year, and changes to the EU's rules around reverse solicitation for non-EU alternative funds, have also heightened Jersey's appeal amongst US managers.

Jersey Finance estimates that over the first half of 2022, more than 110 securitisation structures, including collateralised loan obligations and collateralised debt obligations, were registered in Jersey, a number of which migrated from other jurisdictions.

At the heart of the event was the evolution of international financial centres: where they have come from, where they are going, and what this means for alternative investment fund managers in the US. It also addressed the specific challenges and opportunities that face them when raising funds overseas.

"Let me start with the big picture," Elliot Refson, head of funds at Jersey Finance, said in his welcome to attendees at the conference.

"The evolution of international financial centres matters because the way they were established, and the markets they set out to attract, set the scene for where they are now, and more importantly, the impact that this will have on those who primarily determine domiciliation — the investors."

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Refson added: "If you were to go back 20 years, Jersey was seen as over-regulated, inflexible and expensive as an alternative investment funds jurisdiction. The reason for this is that our government and regulator strove to adopt the highest standards; to embrace and be early adopters of new regulation and legislation. Fast forward to today, and Jersey is seen as proportionately regulated, innovative and competitive. So what changed? In short, the answer to that is everything and nothing."

"The internationalism of standards and regulation that we have seen over recent years has set the scene for the future of the international financial centres", he continued, identifying two key driving forces to this change.

The first is that other jurisdictions, who took a softer view of regulation and international standards at the outset, have moved — or been forced — to catch up with Jersey's position around international standards. This has led to regulatory uncertainty in some jurisdictions and uncovered flaws, for example a lack of suitable infrastructure or personnel in some jurisdictions.

At the same time, geopolitical events have uncovered further instability. This has spooked many investors and managers who demand stability and certainty in their jurisdictions. Jersey has not changed its outlook, but maintained its course of the highest standards.

This approach is supported by stability, both political and fiscal, as well as a minimal-change outlook from a regulatory, legal or economic perspective, underpinned by world-class infrastructure.

"Either by good luck or good management, the decisions made by our predecessors over 20 years ago have landed us in the sweet spot today," Refson affirmed.

He added: "The key market trends affecting alternative fund managers fall into two clear camps: those that are within the remit of the manager and those which are not. Those which are within the remit of the manager are areas such as increased allocation to alternatives, increased competition for quality investments, and increased pressure on valuations.

"Those that are not within the remit of the manager are areas such as increased regulatory pressure, the removal of reverse solicitation, regulatory uncertainty in certain jurisdictions, geopolitical uncertainty in certain jurisdictions, and the rise of ESG."

Refson concluded: "These macro areas can be mitigated by the managers choice of jurisdiction and this is our message to managers. You focus on your job and what you can control, and we will do ours to offer political and fiscal stability and maintain robust but proportional regulation with a minimal change outlook. This takes off the table the risks and uncertainties to you and your investors, which in practice means no red flags and no surprises," Refson highlighted.

Sustainable investing

When asked to identify the main themes and big issues currently dominating the Channel Islands region, Dave Sauvarin, head of Channel Islands at Northern Trust, pointed to sustainable investing, stability, alternative investments and future challenges as points of particular interest.

"Aligned with the heightened institutional investor focus on sustainability themes, there is growing focus on being at the forefront of supporting ESG investing. A survey of 300 global asset management firms conducted for Northern Trust by WBR Insights shows over 60 per cent plan to launch or increase their ESG options," Sauvarin adds.

Guernsey is well positioned to support this trend, having led the way globally with the introduction of the Guernsey Green Fund regime in 2018 — the world's first regulated green investment fund product, focused on investments helping to mitigate against climate change.

This was followed by the launch of the Natural Capital Fund (NCF) in September 2022.

The regime creates a regulatory designation for funds, to help channel investment into biodiversity and natural capital projects that make a positive contribution and significantly reduce harm to the natural world.

Sauvarin suggests: "The NCF regime provides a kitemark for funds which encourage investment into biodiversity and natural capital projects, providing assurance for environmentally conscious investors.

"These designations represent an additional regulatory overlay once the fund is established, adding credibility from a manager perspective for ESG fund raising and helping Guernsey build on its reputation as a sustainable investing hub."

Guernsey continues to build on its expertise and experience as an international finance centre through the Guernsey Green Finance initiative, which aims to fulfil the 17 Global Sustainable Development Goals as set by the United Nations.

Rupert Pleasant, chief executive at Guernsey Finance, says: "Since launching the Guernsey Green Fund four years ago, there is now more than £5 billion in net asset value. This includes some of the largest London-listed renewable energy funds, as well as forestry and farming funds. The breadth of what can be achieved through sustainable finance is clear."

Stability and regulation

In these times of multiple global macro events and economic headwinds, Guernsey offers a stable international finance centre, according to Northern Trust's Sauvarin.

"This cannot be overestimated when launching a private capital fund which has a long-life span," he says.

"Guernsey offers political and fiscal stability, combined with a highly established financial services infrastructure. Our survey also finds more than a third of global asset managers are looking to increase distribution through launching or increasing alternative asset options. Of those, over half (53 per cent) said their firms plan to partner with external support to execute their plans while 44 per cent said they planned to fully outsource the provision of front-, middle- and back-office functions."

Sauvarin goes on to say: "Guernsey is well placed to support the uptick in interest for private capital funds with a long-established fund servicing infrastructure which has attracted some of the biggest private equity managers in the world."

While Guernsey is not a member of the EU, it operates a dual regulatory regime to enable the distribution of Guernsey-domiciled funds into both EU and non-EU countries.

Guernsey's Private Investment Fund is an example of regulatory regime evolution.

The legislation was introduced in 2016 in response to demands for an efficient and quick-to-market regime to give market access to professional investors, enabling funds to be authorised in a very short time with reduced reporting obligations.

When asked what lies ahead for the Channel Islands, Sauvarin affirms: "Organisations which have a global operating model leveraging new digital technologies are best positioned to support their clients' business goals and growth strategies.

"It is important for service providers to have digital transformation plans in place which facilitate asset managers' access to services, solutions and new technologies across the investment lifecycle," he concludes.

Guernsey statistics (Q2 2022)

Guernsey funds

The total net asset value of Guernsey funds decreased in sterling terms during the second quarter by £6.8 billion to £302.8 billion. Over the past year, total net asset values have increased by £30.2 billon (11.1 per cent).

Open-ended schemes

Within these totals, Guernsey-domiciled open-ended funds decreased over the quarter by £0.2 billion (-0.3 per cent) to £54.2 billion. This represents an increase of £4.2 billion (8.5 per cent) in the past year.

Closed-ended schemes

The Guernsey closed-ended sector decreased over the quarter by £6.6 billion (-2.6 per cent) to £248.6 billion. This represents an increase of £26.0 billion (11.7 per cent) in the past year.

Guernsey green funds

Within the totals for Guernsey Funds, Guernsey Green Funds held a total net asset value of £5.3 billion at the end of the quarter.

A solution for the next 10 years, not the next 10 months

the 'Buys vs. Build' question revisited

Helen Johnson, head of business development at MYRIAD Group Technologies, discusses the immense challenges associated with initiating an in-house build in today's market

This age-old dilemma is still a common issue in any business arena where a technology solution is sought, and it is one that is both flushed with success and beset by frustration in equal measure. Of course, as with any strategic commercial decision, the arguments for and against buying, or building, are innumerable, and the first concern should be whether the solution you seek is unique to you or widespread across the market. The former will likely steer you down the build path, the latter more likely to result in lengthy internal capability debate, estimation, budget and resourcing discussions, whilst in parallel seeking RFPs from suitable vendors.

The perception is that an in-house software build gives you Ownership, Compatibility, Development, Prioritisation and comfort in the Security aspects. However, there are immense challenges with initiating an in-house build and having the resource, budget and appetite to enhance or change the solution in years to come are chief amongst them.

From my own experience, previously managing a portfolio of technology projects at a large global US investment bank, the initial foundation build of an in-house application will in itself be an expensive and drawn-out procedure before functional development is even begun. Once budget is obtained the project can still be subject to funding cuts and resource re-allocation (how many times have you been told to cut costs by 10% in Q4?); therefore, it is commonplace for an in-house build to get to 75% completion as a minimum viable product, only to have the resource subsequently pulled. This leaves the users of the system frustrated since it is typically the last 25% of the implementation where efficiencies are realised. They find themselves left with an extensive list of enhancements and costly technical debt for which they will have to continually fight to secure further budget and resource. The business areas are still required to lose headcount or reduce the costs that were promised in their original business case, but without realising the full benefits that were offered.

Over the last few years there has been a marked shift in attitude towards employing third-party solutions for operational processes. Instead of replacing legacy tech, where even decommissioning the old platforms requires budget, we have seen financial institutions leaning towards vendors, abandoning the frustrating and time-consuming development of legacy mainframes where much of the technology is outdated. They have instead opted for off-the-shelf solutions that have been developed by vendors with an agile approach that offers speedy time-to-market, using the latest technology and information security techniques.

Why, for example, fund an in-house team to work in the automated intelligence space with huge cost implications, when you can integrate with a software vendor which is rich in resources and expertise. It has already done the legwork, employs the experts to suit the business and continually refines the product so that you do not have to re-invent the wheel. Vendors know they must deliver within the cost parameters laid out in their contracts and service level agreements, keeping in line with their competitors, and will continually strive for improvements to stay ahead of the game. Let the vendors worry about keeping pace with the latest technology and issues and securing development resource; you can sit back and reap the benefits.

Particular areas of development are trending in off-the-shelf platforms, not least of which is a focus on ensuring that there is easy integration with enterprise platforms to access data to enable processing efficiencies across network management, invoice management and due diligence processes.

The development of compatible APIs, using the Client's data to use in task-led workflows, data processing and reconciliations providing control and oversight and with full audit trails, significantly reduces the build needed from the Financial Institution.

A benefit of choosing a third-party, rather than taking the internal build path, is that unit and system testing responsibilities are also not required in-house, freeing up resources to concentrate upon user acceptance testing and speedier implementation. This gives opportunities for clients to dedicate their time and resources to more value-added activities, for example setting up their bespoke workflows, invoice automation and reporting, all of which realise increased processing efficiencies and cost reductions. Most importantly, once an application is in place, it needs to be supported, maintained and upgraded throughout its use. Again, this is where a third-party application can take the strain of business-as-usual (BaU) requirements.

Dedicated, experienced support teams, both on the technical and client operations side, will be committed to supporting and upgrading the product. Clients should be the primary focus from implementation through to BaU.

Where a client has a new requirement, the vendor must collaborate with them to achieve their request and make it available to all other clients, ideally at no extra cost. Needless to say, the in-house build would require additional budget and resources, and the business units would still need to fund the annual in-house support fee.

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From a vendor's point of view, ensuring data privacy and robust information security is paramount to their offerings. Vendors will ensure that their solution meets the toughest of security requirements, where any security weaknesses are remediated with speed and precision in order to satisfy their clients' rigorous security assessments; realising this is a critical requirement for the approval and ongoing due diligence of a third party offering.

Many vendors ensure they are properly accredited and prove their levels of control and oversight, dedicating time, effort and resources to achieving ISO certification, affording clients an important degree of peace of mind. Although a bank will have its information security controls in place, its in-house solutions are not ring-fenced in the same way, whereas the software provider will be able to demonstrate a dedicated IS framework applicable to the company and its products.

Operational resilience programmes are positively affected by the implementation of a third-party solution, ensuring data is readily available, something that the pandemic highlighted as a particular concern. Some institutions were still relying upon hard copy records, their disparate platforms exposing low levels of integration, weak security data integrity and poor access control. Integrating with a dedicated, external platform remediates all these areas of weakness and potential risk, whilst leveraging the client's data.

A vendor always needs to focus on the future of their product and must anticipate the requirements of their clients and their prospects, and what they will be over the next 10 years, ensuring there is a plan to fund and deliver. As well as keeping up with their competitors, vendors need to listen to the market, identify where the pain-points are and ensure that these are addressed in their strategies. In-house administrators do not usually have access to the industry and its opinions, or even the time and budget to keep pace. Requests for changes are left for the users to initiate, with budget approvals and resource requirements included. Using a third-party solution will get you where you want to be quicker.

MYRIAD Group Technologies (MYRIAD) is very much on the front foot as it innovates for the future. Plans are laid out and fired up for our MYRIAD (Network Management) and CODUDE (Due Diligence) 'Next Gen' products. These developments are concentrating primarily on processing efficiencies, elevated cost management and enhanced risk management capabilities for both the buy- and sell-side — addressing controls for financial institution relationships and vendor management.

Existing clients will automatically benefit without a painful budget, approval, and development process — keeping up with the industry, but without the stress. As an example, the Association for Financial Markets in Europe is preparing to publish a structured excel format as a resource for the first time, to further standardise the annual industry due diligence process, where the same responses and format can be loaded by the agents and sub custodians into multiple tools.

MYRIAD are there to assimilate this resource, advise the market and execute upon it immediately. Extending upon current functionality, it represents a tremendous saving of budget and resources for financial institutions which cannot effectively build or maintain such development at such a rapid pace, and at such a low cost.

In-depth examination of development costs must surely trigger alternative thinking about how these may be mitigated, or eradicated. Since so much of it cannot accurately be forecast, wisdom would suggest exploring a new direction with specialist software.

For many chief information officers, the blanket of a fixed cost, off-the-shelf solution significantly outweighs the unpredictability of a variable cost associated with a build — or it should! Speak to MYRIAD if you would like to find out how our SaaS products can help.

Helen Johnson
Head of business development
MYRIAD Group Technologies

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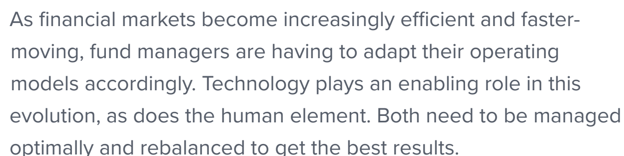
Fund operations:

The explosion of algorithmic trading

Ryan Guichon, product head for fund administration and accounting services at RBC Investor & Treasury Services, provides his insights on how fund operating models are evolving to align with today's dynamic market environment



As financial markets become increasingly efficient and faster-moving, fund managers are having to adapt their operating models accordingly. Technology plays an enabling role in this evolution, as does the human element. Both need to be managed optimally and rebalanced to get the best results.

Algorithmic trading and passive strategies

The popularity of new investment vehicles driven by algorithmic trading systems is exploding. These system-driven investment strategies are bringing about significant change to the fund operating model.

This change requires the development of new inter-connected systems to keep execution of the investment strategies 'between the lines' — much like how a self-driving car keeps passengers safely on the road. A big part of the change requires an understanding of data science within middle- and back-office functions, enabling fund managers to take a step back from execution and focus on oversight. Index funds, for example, have a relatively simple coded strategy: "This is the list of instruments that we will be investing in, given to us by the index engineering team, and we will rebalance these positions on a set cycle."

The investment strategy has been simplified to such a degree that complexity has arisen in other parts of the fabric — the trading strategy. With the efficiency of today's markets and increasing liquidity challenges, the window to get in and out of investment opportunities is shorter, which is driving a change in how funds oversee their models. The market no longer provides time to oversee each individual trade, so the models require built-in risk-governance mechanisms that you then oversee.

Managing the human element

While much is made of the importance of technology in driving these changes, the human element cannot be overlooked. As change occurs, people will be asked to apply their expertise in different ways and settings, and work with people who have unfamiliar competencies. Clear communication is needed to provide employees with context for the change: why is it happening? What will it deliver? How will I fit into the new system? It is important for employees to understand that change is about applying their tools in a different setting. This involves helping them to understand that the nature of their work is going to change, and why that is a good thing.

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> *"As you change your systems, you need to understand how data moves between your front, middle and back offices"*

For example, take someone involved in fund accounting, who historically enjoys getting into the ledger entries and reviewing them for valuable insights. If this is no longer a requirement, because the ledger entries are happening so quickly that the review process needs to be automated, then the person's role may become overseeing the exception system that runs the review process. Or they may get pulled into a new area where they can apply their skills and experience in a slightly different context. Making the effort to clearly communicate the rationale and benefit of change will make it easier to sell that change and get buy-in.

Adopting disciplined data management

In an environment of increased automation, effective management and documentation of data transmission and lineage are more important than ever. As you change your systems, you need to understand how data moves between your front, middle and back offices, and institute best practices for documentation, control mechanisms and data and system architecture. At the core of this is detailed documentation of every critical process and system that touches your data. Over time, the people who developed the systems will move on to other projects or jobs, so you require the documentation to understand why a system was set up the way it was, and how any changes will impact your data and other systems within the overall architecture. Otherwise, you run the risk of projects that never end and stall other impactful investment opportunities.

To support the increased pace of change within fund operations, a modular approach to system development and data management is recommended.

I am a big proponent of purpose-built architecture, where you have individual systems built to execute specific functions. This allows you to measure success more easily — with a data model built over time to power future learning applications.

You can also pull old systems and slot in new ones more efficiently, providing greater freedom to adapt to new demands on your operations, whether it is a new regulatory requirement or an investment product with unique data requirements.

Knowing where and how to find value

Tackling operational change can be overwhelming — a clear understanding of a project's value and success metrics goes a long way toward selecting the right one. It can be challenging to know where to start. Markets are changing very quickly, and there is an expectation of responsiveness and adaptability, but change for the sake of change is a misguided approach. It is important to evaluate projects based on the value they will bring.

Understanding a project's value and communicating how to measure the value is key. There need to be clear gates and success criteria for a well-directed process of change.

Ryan Guichon
Product head for fund administration and accounting services
RBC Investor & Treasury Services

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Carrie Schwab-Pomerantz appointed to Schwab board of directors

The Charles Schwab Corporation has appointed Carrie Schwab-Pomerantz as a member of its board of directors, effective immediately. She will serve on the board's risk committee.

Schwab-Pomerantz joined the firm in 1983, taking on a variety of client-facing and product roles.

In the first half of 2023, she will retire as board chair for the Charles Schwab Foundation and Schwab Charitable boards, roles she has held since 2014 and 2012 respectively. She will also be stepping down from her current role as a managing director at Charles Schwab & Co. In this role, she has headed the company's financial literacy, community service and philanthropy initiatives.

Commenting on her appointment, Walt Bettinger, co-chairman and CEO of The Charles Schwab Corporation, says: "We are fortunate to have Carrie join the Schwab Board. She brings a life-long passion for helping both investors and communities thrive, as well as recognised expertise in guiding investors towards financial wellbeing — an important element of the firm's long-term success." ■

The Maples Group (Maples) has appointed Kieran Fox as director of business development for its fund services business in Europe.

Fox will be responsible for building out Maples' operational and compliance solutions across Europe, including end-to-end fund administration services.

Based in Dublin, Fox will work closely with Christina McCarthy, global head of fund administration, to further Maples' initiatives.

He will also be involved in helping new entrants navigate AIFMD and UCITS directives as well as the Sustainable Financial Disclosure Regulation.

Fox has more than 25 years of experience in financial services. Most recently, he served as the director of business development for Irish Funds, the representative body for the international fund and asset management community in Ireland.

In this role, he led Irish Funds' implementation of AIFMD and drafted guidance on hedge fund administration for the Alternative Investment Management Association.

Fox also served as a senior regulator for the Central Bank of Ireland, and has worked in numerous portfolio management, research, trading and middle-office roles for several hedge funds in London.

Commenting on his new role, Fox says: "I am delighted to join the team at Maples and help further their mission of providing the latest and most innovative fund administration services for alternative asset managers. It will be a pleasure continuing my career with leading global clients and colleagues in such a storied company."

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Rahul Agarwal joins SS&C

SS&C Technologies (SS&C) has appointed Rahul Agarwal as director of wealth relationship management, based in the UK.

Agarwal has more than two decades of experience in the industry, and joins SS&C from investment services provider ITI Capital. In this previous role, as head of private clients, he was responsible for relationship management and building the firm's revenue-generating projects.

Prior to this, Agarwal served in wealth management and development roles at companies including Société Générale Securities Services and financial services provider IG Group. ■

Global payments provider SWIFT has appointed Max Mamondez as chief financial officer.

Mamondez will serve on SWIFT's executive committee and report directly to SWIFT's CEO Javier Pérez-Tasso.

Mamondez has more than 25 years of international financial services experience. Prior to joining SWIFT, he led strategic initiatives at the London Stock Exchange Group as group head of corporate financial planning and analysis.

Before that he served as chief financial officer for international markets at Mastercard. Earlier in his career, Mamondez held senior leadership roles at several publicly traded technology companies and international consultancies including Rockwell Automation, Diebold Inc., and PwC.

Commenting on the appointment, Pérez Tasso says: "Max has a proven record of driving strong financial performance and a wealth of relevant global experience that will be a real asset to the leadership team at SWIFT.

"His perspective will be hugely beneficial as we deliver the next phases of our strategy to enable instant, frictionless and interoperable transactions worldwide, and I am personally very much looking forward to working with him."

Mamondez adds: "SWIFT is widely recognised as the bedrock of the global financial services industry and is doing truly innovative work to power an inclusive digital future. It is a pivotal time in the industry, and I am proud to have this opportunity to join the company at such an exciting juncture."

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