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DIGITISING *the Process*

Andy Myers, head of product at Proxymity, discusses the company's problem-solving solutions and its 2023 plans

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Euronext completes acquisition of Nexi technology businesses

Euronext Group has finalised its acquisition of the technology businesses currently powering MTS and Euronext Securities Milan from Italian technology provider Nexi. The transaction was first announced in June.

The transaction, worth €57 million, is expected to strengthen the core operations of MTS, Euronext's fixed-income trading platform, and Euronext Securities Milan.

Nexi, a paytech firm in Europe, has been a partner of choice of MTS and Euronext Securities Milan for more than 30 years, powering their technology.

The transaction enables Euronext to fully internalise the technology powering MTS and Euronext Securities Milan, formerly Monte Titoli.

It also strengthens the core operations of MTS and Euronext Securities Milan, delivering on Euronext's strategy to create value utilising its integrated value chain and technology.

Following the transaction, Nexi will continue to provide technology services to Euronext under transitional arrangements and other services under related commercial agreements. ■

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

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

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

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

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

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

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

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Western Asset and T-Scape renew multi-year contract

Fixed-income investment manager Western Asset has renewed its partnership with digital technology company T-Scape, which provides the corporate actions application iActs.

Through the partnership, T-Scape will continue to support Western Asset with the development of its corporate actions operating model as it adapts to keep in line with evolving business demands.

Currently working on productivity, risk reduction and control over the corporate actions operation, iActs' next stage at Western Asset will see it moving into the front office, the investment manager says. By giving the front office a means to access and engage with the corporate actions process, the potential for automation and efficiency will be increased, the company explains.

Danny Shiggins, head of international securities operations at Western Asset, states: "A lot of effort went into researching corporate action providers back in 2019; we determined then that T-Scape and iActs were the best fit for Western Asset. We felt we'd made the right decision then, and with this new deal we are reaffirming that decision."

David Baxter, managing director at T-Scape, adds: "Good collaboration is absolutely critical if a project is to succeed, and it's this as much as anything that is enabling us to build mutually beneficial long-term relationships. We look forward to building upon what's already been achieved, adding value at every juncture and ensuring Western Asset maintains a global corporate actions operating model that is second to none."

DTCC publishes CBDC pilot findings

DTCC has published the findings of its pilot programme investigating how tokenised securities and a wholesale central bank digital currency (CBDC) would operate in the US settlement infrastructure. The project was led in collaboration with the Digital Dollar Project.

'Exploring Post-Trade Security Settlement with a US Central Bank Digital Currency' found that multilateral settlement and asset encumbrance mechanisms are crucial parts of CBDCs' designs. Interoperability between different networks was also raised as an essential consideration.

The pilot, originally called Project Lithium, was supported by Accenture, which provided a simulated CBDC network for DTCC to test their digital settlement network prototype against tokenised dollars. Participants included Bank of America, Citi and Northern Trust, amongst several other leading firms.

The system connected two asset networks to enable CBDC security settlements, with communication dependencies between the two reduced and counterparty risk eliminated. The pilot additionally assessed network governance, with administrators able to resolve transactional issues if they arose.

Looking to future developments, access to a digital Federal Reserve payments system was highlighted as something that could prompt innovation and opportunity in the sector, with the use of a CBDC network expected to improve firms' efficiency, transparency and reporting. The paper also looks at where the industry can go from here, outlining adoption rates, implementation costs and potential governance models.

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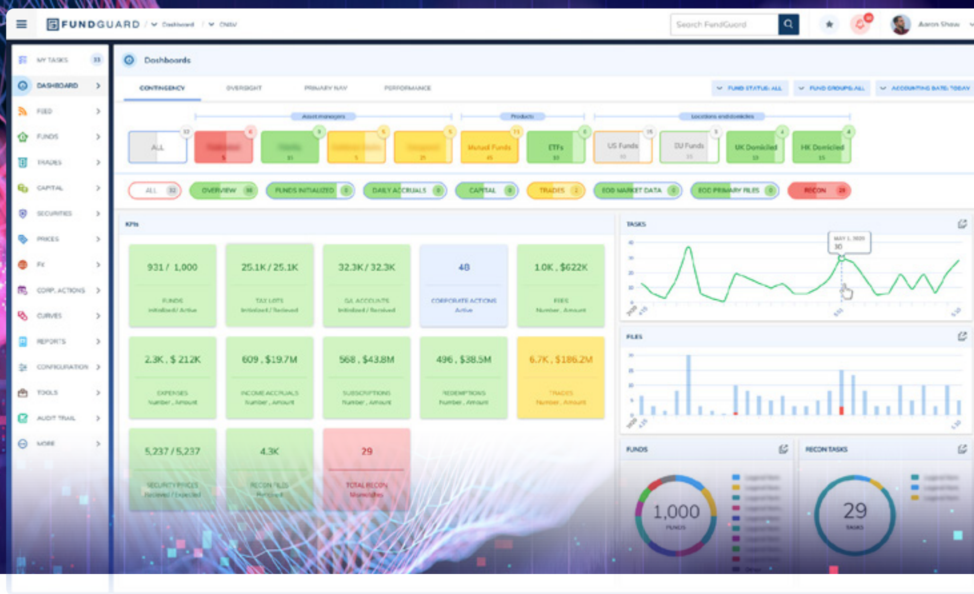

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Jennifer Peve, managing director at DTCC, says: "As a potential digital alternative to cash, a US CBDC should be carefully explored in consultation with key stakeholders across the public and private sectors. The results of the pilot can help inform market participants and US policymakers about the many requirements related to this new technology and currency paradigm."

Jennifer Lassiter, executive director of the DDP, adds: "The findings from this pilot serve as crucial information to inform worldwide CBDC developments and conversations that are rapidly increasing across sectors. Understanding the impact of CBDC technology on this critical aspect of financial market infrastructure is imperative to the evolution of US markets and will inform further CBDC research and experimentation globally."

State Street terminates acquisition of BBH's Investor Services business

State Street Corporation has mutually agreed with Brown Brothers Harriman (BBH) to terminate State Street's proposed acquisition of BBH's Investor Services business.

Considering regulatory feedback and potential transaction modifications, State Street determined that the regulatory path forward would involve further delays. Additionally, "all necessary approvals have not been resolved," it said.

According to the firm, the proposed modified transaction structure was increasingly complex, presented additional operational risk to State Street and would limit the anticipated transaction benefits relative to original expectations.

The acquisition of BBH's business would have produced delays in the timing and potential limits to the amount of deal synergies, the firm found.

State Street agreed that "it is not in the best interests of clients, shareholders or employees to continue to invest time and resources in the transaction in this challenging financial services M&A environment".

State Street first announced its decision to acquire BBH in September 2021. The move intended to see the firm take over BBH's Investor Services business, including its securities lending, custody, accounting, fund administration, global markets and technology services, for US$3.5 billion.

The acquisition was expected to be completed at the end of 2021.

Commenting on the decision, Ron O'Hanley, chairman and CEO of State Street Corporation, says: "From the beginning of our discussions with BBH in 2021, I have been impressed by the quality of the BBH Investor Services business and its people.

"The decision not to proceed with this transaction was not taken lightly and is in no way a reflection of the quality of the BBH franchise. Since we announced the proposed acquisition, we maintained our focus on achieving a transaction that would meet our strategic and financial objectives."

He concludes: "Our overall strategy is strong and differentiated, and we remain confident in the organic growth trajectory of our business. We will continue to be deliberate in managing our capital in the best interests of our shareholders."

Bill Tyree, managing partner of BBH, adds: "It is disappointing that State Street's inability to secure regulatory approval precluded the compelling vision that they brought to us.

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"That said, we can now move beyond the State Street transaction and return our undivided attention to day-to-day service excellence, to being an employer of choice, and to shaping the many opportunities before us in the interests of our clients and employees. BBH has no other plan to sell the Investor Services business or to pursue another transaction."

Lack of corporate actions automation remains a serious concern, ValueExchange report finds

Corporate action businesses are overloaded by increased securities volumes, according to a recent paper by the ValueExchange.

The paper, 'Reimagining the Corporate Actions Operating Model', finds that difficulties to scale can be seen across the industry, with key pressure points differing between groups.

Brokers are dealing with talent acquisition and turnover issues, while custodians are facing product complexity and investors are up against significant volume growth.

The result of this is increased manual processing costs of corporate actions, demonstrating the overreliance on people and the lack of automation around scaling, the report says. "We have run out of scale in our corporate actions processes," it states, with those who have held off on automation now seeing negative returns on scale.

Beyond scaling cost, corporate actions data errors are on the rise. This results not only in expensive error payouts, but also has an impact on regulation, project delays, audit risks and failing trades. This is therefore an issue that affects far more than the back office.

A lack of standardisation between data sources in the corporate actions lifecycle means that the human component of the process is considerable. Sources must be verified and corrected and event data enriched, all by hand. The constant duplication of data is costly and inefficient, with the need for manual intervention limiting the possibility of scale.

The ValueExchange reports that this situation is "most acute in the areas identified as having the highest levels of portfolio growth in 2022," compounding the problem. Research also finds that voluntary events is the area most impacted by manual data sourcing and verification difficulties.

Looking at solutions for the problem, the ValueExchange states that the front-end of the event processing is where market players will be focusing when building scale. The report finds that there is an emphasis on transformational rather than incremental change across the industry.

In regard to upcoming technology, ISO 20022's introduction is expected to drive automation, which may aid scaling efforts. The report also finds that outsourcing remains an essential growth enabler, lowering costs and mitigating error incidents.

SEBA Bank opens Hong Kong subsidiary

Swiss crypto bank SEBA Bank has opened a new Hong Kong office for its subsidiary, SEBA Hong Kong.

SEBA Bank offers a range of banking and investment services, and holds client assets off the balance sheets in segregated accounts so as to keep them accessible for clients to withdraw. It has also participated with Banque de France to run central bank digital currency integration tests.

Hong Kong, the bank's first APAC location, offers a supportive crypto licensing framework. In response to a growing crypto demand in the region, SEBA Hong Kong will initially provide consultancy services and enact market research, while onboarding strategic partners for its head office.

This announcement follows SEBA Bank's opening of an Abu Dhabi office in February 2022.

Franz Bergmueller, CEO of SEBA Bank, says: "With a supportive regulatory approach, Hong Kong is cementing its position as a global leader in cryptocurrencies. This office provides a valuable strategic base that will enable us to cater effectively to the rapidly growing demand for crypto in the APAC region."

Kodovic Shum, managing director of SEBA Hong Kong, adds: "The opening of our Hong Kong office is critical to our ambition in the region. By strengthening our presence in a key international financial centre, we are proud to form part of the crypto ecosystem and to contribute towards the development of the virtual and digital assets space in Hong Kong and the region."

RBC to acquire HSBC Canada

RBC has entered into an agreement to acquire HSBC Canada, expanding its business banking solutions arm and offering further services to its international business clients.

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globally connected clients, RBC will be able to strengthen its international operations. In turn, HSBC Canada's clients will gain access to RBC's digital capabilities, wide product offerings and community connections.

Dave McKay, president and CEO of RBC, comments: "HSBC Canada offers the opportunity to add a complementary business and client base in the market we know best, and position us to be the bank of choice for commercial clients with international needs, newcomers to Canada and affluent clients who need global banking and wealth management capabilities.

"We look forward to serving these new clients and showing them all that RBC can do for them."

CACEIS adds Sismo's analysis and investment tool to its Connect Store

CACEIS and French fintech Sismo have partnered to offer a solution for portfolio analysis and optimisation, as well as investment strategy development.

As part of the mandate, Sismo's web platform will be available through CACEIS' Connect Store, offering data visualisation and a comparative analysis tool.

CACEIS' asset management clients will have direct access to Sismo's solution to help them in their decision-making processes.

Sismo facilitates the identification of market trends, the selection of stocks and the definition, testing and improvement of investment strategies.

Arnaud Misset, chief digital officer at CACEIS, says: "Through this partnership, our asset management company clients will be able to take advantage of an integrated and cutting-edge data analysis service to further improve their investment decisions.

"The addition of Sismo's solution to the CACEIS Connect Store also reflects our determination to open up our ecosystem to the best fintechs on the market, and share those benefits with all of our clients."

Emmanuel Dayan, founder of Sismo, adds: "We are delighted with this partnership that expands our platform's distribution scope and makes access easier. CACEIS clients will now be able to analyse their portfolios directly in Sismo and use all of the factor analysis and equity screening features developed for investment managers." ■

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Andy Myers
Head of product
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Digitising the process

Andy Myers, head of product at Proxymity, updates Lucy Carter on the company's latest developments, problem-solving solutions and future plans

How does Proxymity make a difference to banks' development of European legacy markets?

Principally, via the digitisation of something that's very manual, risky, inaccurate and non-transparent. This transforms the offering that you can give to clients' customers. Take a market like the UK, for example - before we offered Proxymity, there was no way to directly go from the company to an investor — it had to go through the whole chain. The company, with its agent, would send out a paper card, which would go to a local bank, who would type in the agenda and pass it on. We are going around the markets digitising that process, and it is easier to do it in some more than others. The speed and willingness to change varies.

The real difference we can make to a bank in a legacy market is delivering the first electronic and transparent disruption to the process, so it can be done faster and cheaper. For a lot of the banks' customers, this process is a black hole. You put an instruction in, you vote at a meeting for a new chairperson, and that is the last you know about it. This is the case across European legacy markets.

The Shareholder Rights Directive II (SRD II) has not delivered what it set out to do. Proxymity is happily disrupting the market to say, "we have a solution that allows a digital highway to be created so that people can look down at both ends, in all European markets."

Which markets are you finding to be most resistant to change?

They all are, in their own ways. Some of the markets have more complex processes. In Germany and Switzerland, for example, you have to register before you can vote.

There are dedicated systems for that registration which have been there for years, woven into the legislation.

In other markets, like Sweden, you need to go to the meeting in person in order to vote. If you are going on behalf of a shareholder, you need a power of attorney that costs hundreds of euros. In some markets, existing laws or processes are prohibitive to installing a neat electronic solution.

Without law change, or significant process change, you still must go through these processes and your digital journey ends. That is a challenge for us, as we adopt the markets one by one.

What developments have been made to the Proxymity Vote Connect solution this year?

We have been focusing heavily on onboarding new partners to the network. The thing that makes Proxymity better is more intermediaries connecting to the platform.

It is a network solution, and the more intermediaries, banks, issuer agents, companies and investors we introduce to it, the better our ability to enhance our capabilities.

We are owned by a consortium of banks. As well as investing, they agree to connect and use our services.

We have been connecting them with many markets, growing our network of connecting issuers, banks and investors.

We have also gone live in new markets. We introduced the Proxymity solution to Denmark, entered the Nordics this summer and went live in New Zealand.

We have also been conducting many pilots in other markets, working out how we get past those barriers to entry, and how we plug the technology in. We ask a company in the market and ask an insurer agent to work on the electronic solution with us, to prove it can be done.

You are never 'done' on developing the core product itself, of course. The user experience for the intermediaries to come into Vote Connect has moved on leaps and bounds in terms of the platform's capabilities.

Speaking to Asset Servicing Times earlier this year, Proxymity shared plans to develop Proxymity Shareholder ID Access, a semi-automated solution designed for Tier 2 and 3 banks. How has this project progressed since then?

That is now fully in operation, and we have had many customers go live. Usually, if you are a bank, in order to use our shareholder identification solution you need to build an application programming interface or a connectivity point with us, and you need to invest in technology development, at least to feed us the information. We can then respond to companies' disclosure requests, disclosing your shareholders on your behalf.

If you do not have technology resources, or the means to make that connection today, but you want to be regulatory compliant and have a way to answer to companies, Shareholder ID Access is a light version of this process.

You get notified via our platform, and can then feed the information in via the platform itself. If you upload it, you do not have to carry out technology development for now.

That has been popular with a lot of companies, including the smaller intermediaries of mid-tier banks, because they do not have huge budgets to develop this technology.

Proxymity is invested in by large financial institutions rather than owned by a single company. How does this structure change the way that the platform develops and evolves?

The vision of Proxymity is what these institutions have invested in, and being owned by them does not change Proxymity's mission. They are very supportive of our journey and are helping us propel forward.

Having big issuer agents, central securities depositories and banks as our owners (who are also invested in using Proxymity) means that their data, customers and clout is behind us when we want to go into a market.

We have industry members willing to participate in pilots, and they want to move the needle with us. It is really powerful. These institutions make up many of the first users of the solutions for shareholder identification and proxy voting.

They also have a lot of expertise; they are made up of large teams who have hundreds of years' experience between them. There is a wealth of knowledge. They also know what their pain points are, and how they and their customers want processes to be. When they are talking to customers, or getting requests for proposals, they are thinking about what would help them provide a next-level shareholder communications product. Their voices are important in the roadmap, and we have regular interactions with their shareholders and customers.

The challenge is the same as the benefit. Onboarding all these huge institutions at once is no small feat. They are servicing thousands of customers, so rolling out solutions to six of the biggest banks in the world is a lot to do at once.

Our main problem remains the amount of people who want to use our services. It has taken quite a focus from our team and the institutions to carry out the technology integrations required. That is still ongoing now, and there is a lot more we want to do with them. We spent a lot of time as a start-up trying to convince people to come onboard, and they have arrived. That is great, but it also creates a lot of onboarding and collaborative work with those huge organisations. We have grown substantially, and it has been a massive scale-up process.

Cyber security is a risk that continues to grow. Shareholder ID Access aims to improve cybersecurity for small firms by, for example, ensuring that emails are secure. What else does Proxymity offer to combat these threats?

We have had to invest heavily in this area. The data involved in this process is all very sensitive: personally identifiable information, names and addresses, identification numbers, share amounts. This is particularly relevant to our Shareholder ID product, where one's identity is disclosed as part of the product.

We have a systems and organisation controls II (SOC 2) accreditation, which is orientated around cybersecurity vulnerability standards. We are running vulnerability assessments on a regular basis, where people are attempting to break the system and we are consequently getting reports on a regular basis. This is a process that will never end because every time that you have accounted for the latest generation of threats and problems, you are having to invest again. You need to keep moving. We have a dedicated team that covers this, and we are continuing to invest in cybersecurity, ensuring that, from a vulnerability standpoint, the data is given the utmost standard of protection.

If you want to onboard the six biggest banks in the world, their scrutiny before they share their customer data with us and use our services is intense.

There is a high level of due diligence needed to get approval to become a provider. Our policies, our standards and our cybersecurity protocols are of the highest standard that they need to be in order for these customers to even consider coming onboard. This is of critical importance and enables us to serve this industry.

Proxymity states that it “promotes enhanced ESG by improving communication between issuers and investors”. What other ESG-related pledges has Proxymity vowed to make?

Transparency is a big part of ESG. One of the struggles on both sides of the fence, whether you are an issue or an investor, is transparency with what is going on.

If you are a company, it is knowing your shareholders and how to engage with them. That is where products such as Shareholder ID or Vote Connect can help.

If you are an investor, knowing whether you are being given the chance to have your say, and knowing that it is going to be heard, and successfully delivered to the company, is really important. If you care about ESG and you are feeding data into the black hole with no real idea as to how it got there, that is a massive quandary.

The engagement between issuers and investors is key, and something that we facilitate. Via the tools that we provide the issuer, they can engage with their shareholders in a more efficient way. Often companies are receiving votes from shareholders two days before the meeting, by which point it is too late to open the dialogue and have conversations. We make the process much more transparent for both sides.

Another point worth mentioning is accuracy. There is always a danger that people are voting on each other’s shares, and that there are things happening that are not right ethically. Operationally, once you have so many people touching the information and it is going through a plethora of conveyor belts and machines, there is increased risk.

We take the share positions from the banks in the chain, and we reconcile them. Where there are breaks, we highlight them. Without Proxymity, and in some other processes around the world, it is not always as secure, in terms of how votes are collated at the end. Accuracy, transparency and engagement are the key features we offer.

What has Proxymity got planned going into 2023 and 2024?

In terms of what we can share, a big part of the mission is growing the network — getting more intermediaries, companies and shareholders onto Proxymity to expand our footprint.

Currently, we have a heavy focus on Europe, because of SRD II, and we have achieved a lot in this region. Now we can look beyond this continent, and there will be more information released about our wider activity at a later date.

Entering new markets is also a big part of the plan. We will offer Proxymity so that issuers and investors can use the technology outside of our current operations in Europe, the UK, Australia and New Zealand.

We also have new products coming out, with ESG a key focus. Next year there will be more information published around products we are developing in this area.

We will never stop enhancing the products that we offer. We have built an excellent client list. Our clients have needs, as do theirs, so constant engagement is required.

Proxymity plans to expand on the existing product set with next generations of the products for Shareholder ID and Vote Connect. We will never be ‘finished’; we are continuing to evolve. ■

Not just nature

Following on from its ‘Best ESG Initiative’ win at AST’s Industry Excellence Awards, Universal Investments’ Robert Bluhm talks to Lucy Carter about what makes the company’s ESG offerings stand out

What makes your ESG initiative stand out?

As a fund service platform, the main focus for Universal Investment (UI) is to have a different viewpoint on the topic. It is looking for an up-to-date approach to make the huge amount of daily news-based information available for ESG analysis.

Initiated by its innovation management head Daniel Andemeskel and UI's ESG office, together with its partner YUKKA Lab, it has set up a system that uses natural language processing to be able to capture current news as data at a fast speed. The news article does not have to mention certain keywords for the software to recognise that it is talking about a given topic.

The amount of news available is like an avalanche, and its essence still needs to be available in real-time to be used beneficially. UI only screens reliable, trustworthy media sites and does not look at social media. There are a lot of ways this data can be used. For example, fund initiators who want to promote their fund need to provide examples.

The main thing for UI is knowing what is happening and providing another view on ESG topics. The aforementioned news-based scores and data points should not substitute any existing ESG ratings or scores, but rather should be used as an additional tool to give portfolio management, risk management and reporting additional real-time information to enhance data quality.

The 'S' and 'G' of ESG are often left unconsidered by institutions and investors alike. What is Universal Investment doing to promote these areas?

Sustainability is not just about trees and nature. To make sustainable development possible, the Governance ('G') aspects are crucial. If the financial services industry does not look at the G part of its company, then all its efforts might not be long lasting (since they are not rooted within the company).

UI established its ESG office directly under its CEO Michael Reinhard. As a company it strives to implement the ESG mindset in all relevant corporate processes and is growing its team, in an effort to double it by next year. However, a current obstacle is finding people with ESG expertise in both theory and practice.

Improving governance processes and procedures is vital. UI is developing more guidelines within the company, looking at how it can improve. It has started to do more training to educate its

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"There are a lot of ways to invest sustainably. There is no universal view on sustainability which will be defendable to everybody, and you will never have an ESG strategy that will satisfy everyone. You just have to be able to explain your view on it, and you must be prepared to change your strategy over time – ESG is evolving quickly."

employees. There are always people who confuse sustainability in the financial industry with their private behaviour. In fact, our job is to identify how to influence the financial industry to invest more sustainably.

The Social ('S') and G are closely related. For UI, as a company, the S element of ESG is about what it can do in terms of corporate social responsibility (CSR). Internally, this is strongly connected to human resources. Creating an equal opportunity company requires diversity in all areas. For example, enabling our employees to have different work models: working part time or working in a hybrid format. COVID-19 accelerated that flexibility, creating those opportunities for companies. Valuing 'human capital' is key in our industry.

On the CSR side, UI is focused mostly on local neighborhood projects. In Frankfurt, for example, employees can fulfill a Christmas present wish for children from disadvantaged backgrounds. In other offices, UI donates to animal shelters.

How can investors be more ESG-responsible when making investments? What do they need to do on an individual level?

There are a lot of ways to invest sustainably. There is no universal view on sustainability which will be defendable to everybody, and you will never have an ESG strategy that will satisfy everyone. You just have to be able to explain your view on it, and you must be prepared to change your strategy over time – ESG is evolving quickly. It is a journey, and we all have to continuously adapt.

There are investors who still do not believe in sustainability, but it is economically reasonable to be sustainable. Otherwise, you will not be able to resell investments, or you will see a dramatic loss in value. You should at least make your sustainability risks transparent, to know the likely impacts of such risks on the returns of your investments. Most people do not understand that if you do not do anything, you could have a loss in value in the future (stranded assets).

There is more than one answer on what is sustainable. Therefore, the first point is understanding and defining what sustainability is for you, and then to look for those investments. You can invest in companies that are already very sustainable or invest in companies transitioning towards being sustainable. A lot of people in the market are excluding non-complying companies, which helps to a certain degree, but neglects the fact that transformation is very important. Things like CO2 neutrality will not happen if we do not help companies to transform. Investing in such companies might lead to economic reward, because if a company is able to transform, the valuations will go up again.

What are your thoughts on the upcoming SFDR II regulation? Do you think it will help or hinder sustainability goals?

In theory, the SFDR II regulation is very good, but the challenge is that some of it is just not practical.

It is important to consider that the implementation of SFDR will not lead to a classification model — the regulation defines transparency obligations for financial products. It emphasises the need to look closely at potential sustainability risks when investing in the future, but there are no investment restrictions that would prevent investors from investing in anything 'conventional'.

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UI is seeing a lot more communication from relevant industry associations. UI speaks to its auditors on a weekly basis and talks with the regulator quite often.

The challenge the industry faces is on the operational side. When there is an EU regulation, each country approaches it slightly differently. Overall, the implementation of SFDR II is not perfect, but the general idea is going in the right direction.

What does Universal Investment have planned for its ESG initiative in 2023?

Everyone in the financial industry is facing a lot of the same challenges. UI's clients are therefore looking for best practice examples and ways to exchange information. UI is setting up an exchange platform for its clients, enabling them to connect. Through this platform, UI can share information and collaborate.

Being an open platform is great, but it also means that there is more than one right answer, more than one ideal path for sustainability. For some partners it is quite easy; they have one single strategy for a single Article 8 or Article 9 fund (in relation to SFDR). UI has approximately 100 ESG approaches on its platform, with many different ideas behind each of these. There is a lot of analysis of UI's partners' methodologies required, but this helps the company to get a better view on what's happening in the market.

UI is also trying to further develop its capabilities to help its clients — to advise them on how strategies can be built and to make them aware that what they do now might have to be updated within three or six months if the regulation changes.

UI's main objective is to create more transparency and make information more accessible. The company has started diving deeper into the alternative investment space to assess more data. It is working with new partners who have different approaches to data points, while also working with associations to create new standards in the industry.

UI is trying to train all employees in order to improve their ESG proficiency. This fiscal year, this will be its main internal focus. As part of this, UI is also looking to start a 'Green Week' next year. Sometimes it is the small things that help to raise awareness on different sustainability topics. UI always advises its employees, as well as its partners, to ask questions and foster the discussion surrounding how sustainability can be addressed. ■

"UI is looking to start a 'Green Week' next year. Sometimes it is the small things that help to raise awareness on different sustainability topics. UI always advises its employees, as well as its partners, to ask questions and foster the discussion surrounding how sustainability can be addressed"

Robert Bluhm
Sustainability officer/head of ESG
Universal Investment

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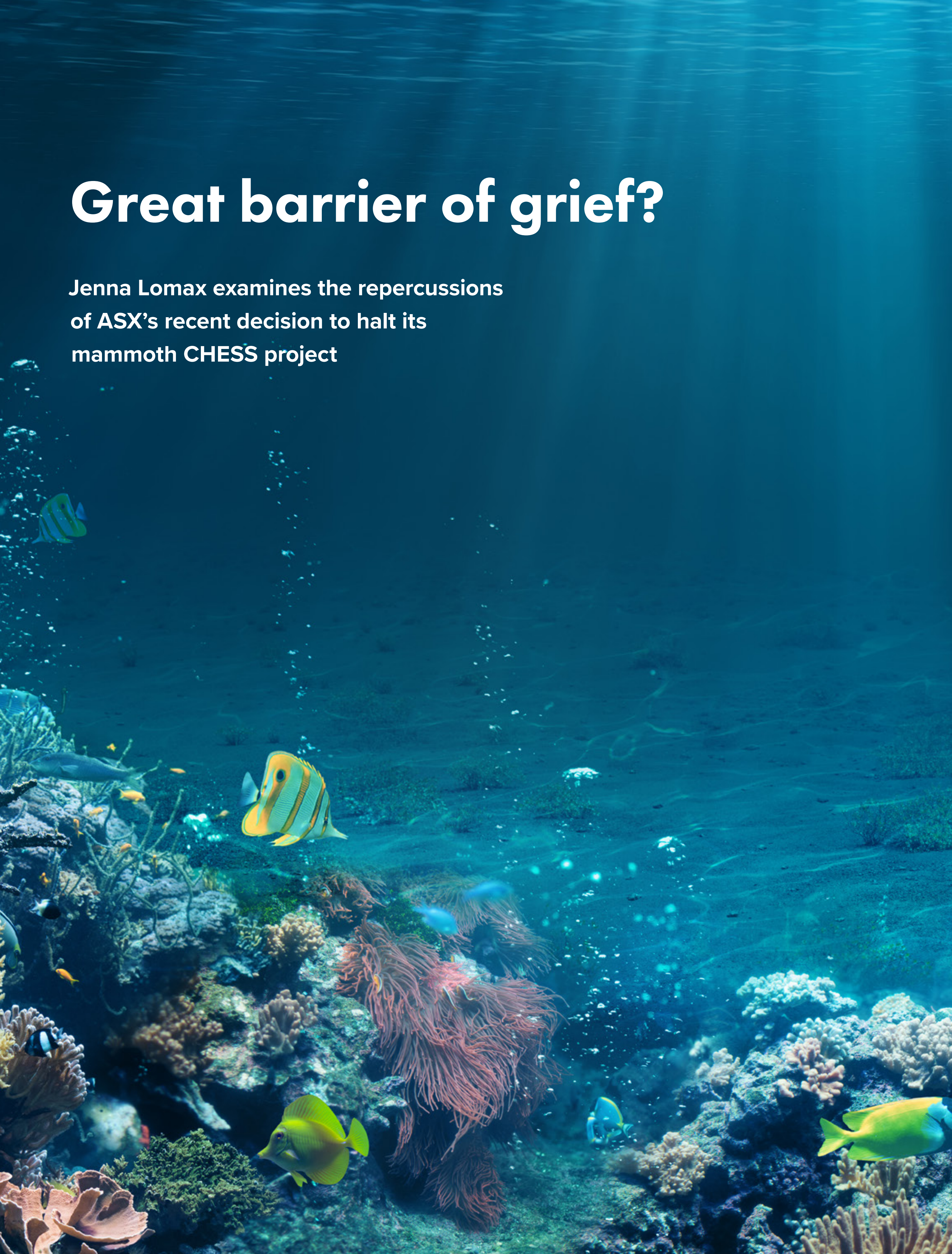

Great barrier of grief?

Jenna Lomax examines the repercussions of ASX's recent decision to halt its mammoth CHESS project

Famous for its tropical waters, beaches, desert landscapes and year-round sunshine, Australia boasts plenty for inhabitants and visitors alike. Though, this year, the country has weathered some significant storms — both meteorologically and institutionally.

Just weeks ago, on 17 November, the financial industry woke up to the news that the Australian Securities Exchange's (ASX's) CHESS replacement project had come to a grinding halt after an internal assessment by the ASX and the completion of an independent review, conducted by Accenture.

The ASX said it was "reassessing all aspects" of the planned update, after a seven-year preparation period. The decision was blasted by many, including Tony Boyd, a columnist for the Australian Financial Review, who labelled the turn of events as "a barrier to the country adopting technologies".

He scathingly added: "Unfortunately, ASX management and its board of directors have proven over the past seven years that they do not have the technical skills to manage a large-scale technology project, or the self-awareness to know that what they are doing is investing in a technology dead-end."

ASX says it will write off between A$245 million and A$255 million, pre-tax, related to the project. To add insult to injury, the securities exchange may have to compensate trading firms, many of whom have already upgraded their own systems in preparation for the new network. The bill is estimated to be around the A$100 million mark.

However, some industry participants have shown more empathy and understanding toward the ASX's decision. "The critical nature of systems [such as CHESS] demands safety, efficiency, accessibility and reliability," says Davinder Oberoi, director of banking and financial services, Australia at CGI.

"The industry's experience and understanding of operating distributed ledger technology (DLT) in a critical environment is still evolving, with a number of different technical approaches as well as approaches around legal and risk management being tested, to ensure that both industry and regulators have confidence in the application of this new technology."

In October 2022, there were warning signs that the ASX was struggling with the pressures to meet its expected deadline for the CHESS project when it confirmed that the go-live date of April 2023 was "no longer viable".

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At that time, the Reserve Bank of Australia (RBA) said it was "disappointed" by the delay. This comment was included in RBA and the Australian Securities and Investments Commission's (ASIC's) 2022 review of the exchange's clearing and settlement facilities.

RBA and ASIC ran their first ASX review after the exchange's power outage on 16 November 2020 when it was carrying out a major upgrade to its Nasdaq equity trading platform, ASX Trade. The Australian regulators viewed these operational incidents with significant concern.

Stormy seas?

By chance, Asset Servicing Times (AST) already had an Australian Focus written into the schedule for December 2022, before ASX's most recent update broke. Speaking to AST before 17 November, Darren Speirs, head of portfolio solutions for APAC at Bravura Solutions, told the publication that ASX needed to "carefully manage the transition period.

We anticipate it could result in a number of project delays, with the need to reprioritise delivering, testing and implementing features," he added. Speir's prediction, shared in September, proved to be correct.

So, what happens next? Is ASX's reputation beyond reproach? It would appear not everyone thinks the delay is quite so drastic as others. David Travers, CEO of the Australian Custodial Services Association (ACSA), says ACSA and its members note that this is a "significant setback for the ASX", but affirm that it is imperative that the platform is built to "deliver the requirements expected, including functionality, process capacity and resilience."

He goes on to say: "ACSA supports the ASX in ensuring that any change to CHESS is undertaken in a manner that minimises implementation risks."

For background, the original CHESS was developed by ASX more than 25 years ago and enabled the dematerialisation of the cash equity market, a move to T+3 settlement — which was reduced to T+2 in March 2016 — and improved the efficiency and effectiveness of post-trade processing in Australia.

It is hoped the new blockchain-based system, when eventually live (and in whichever format), will improve data analytics and

help users make informed predictions, all while helping Australia's financial services adapt to an ever-changing market.

The essential ingredient for the increased resilience and functionality that ACSA's Travers alludes to could well be time — something ASX's most unforgiving critics would say it has already had plenty of. The other essential elements for the project's progression are of course advances in technology and knowledge. Delving deeper, Bravura's Spiers says: "the more nodes participating in DLT, the more robust it will be."

"DAML smart contract language, open standards (ISO 20022) messaging, and availability for authorised users will allow for the evolution of an ecosystem of services that benefits the industry." He continues: "These include portfolio reconstructions, better management of elective corporate actions, and the enablement of interoperability between different international exchanges."

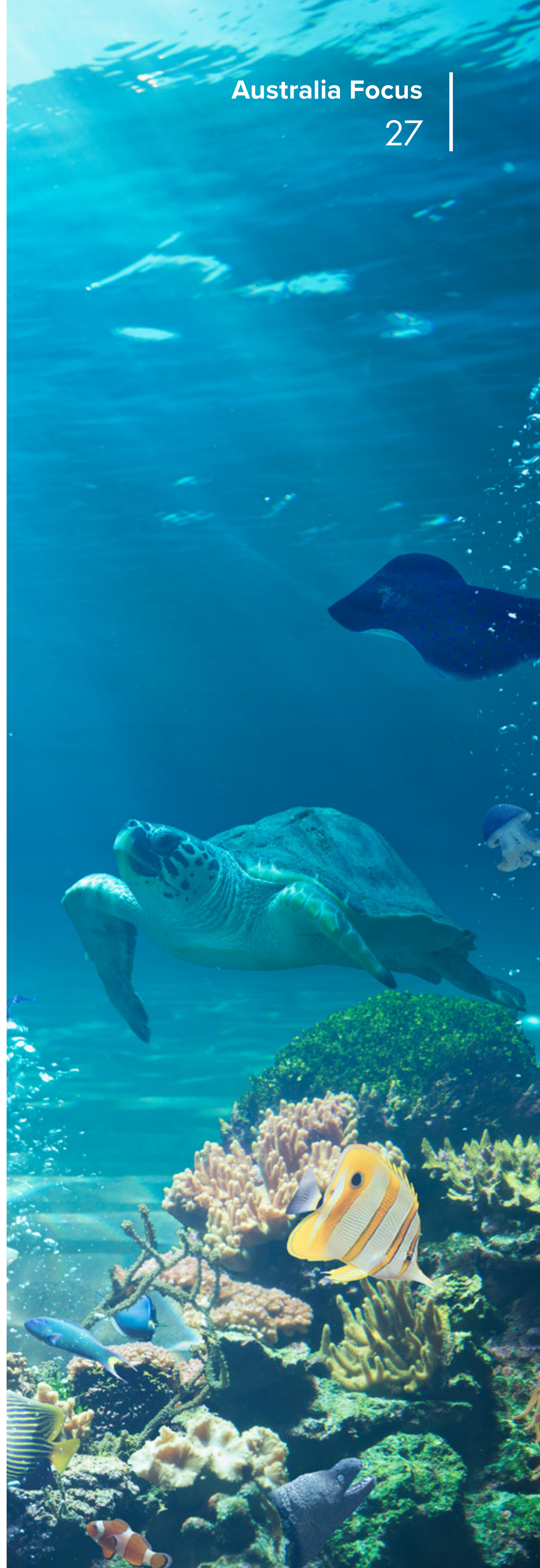
CHESS' original go-live date was set for April 2022 but was pushed back to April 2023, mostly due to the impact of the COVID-19 pandemic on the industry throughout 2020 and into 2021.

Often nicknamed 'Fortress Australia', the country had some of the strictest COVID-19 restrictions in the world, with its last isolation rulings ending as recently as 14 October.

The Australian government closed international borders for more than two years and, throughout that time, imposed strict limits on movement between states and territories. This decision greatly reduced the enablement of collaboration and productivity on the CHESS system, though the virus cannot be blamed for ASX's progression (or lack of) between 2015 and 2019.

Before ASX announced the pause to the CHESS project on 17 November 2022, market participants were mostly in agreement that the new go-live date of April 2023 was agreeable, despite the last two and a half years of upheaval.

As a closing note, it has not escaped this millennial that on the very same day the ASX announced its CHESS project plans were effectively dead and buried, Australia's longest-running soap opera Neighbours was resurrected. The show was plucked back from the pop culture archives by television network Amazon Freevee, despite wrapping up 37 years of broadcasting in July. Only time will tell if and when ASX can manage its own kind of revival with the colossal CHESS project. ■



Looking back on 2022

Lucy Carter speaks to industry experts on some of 2022's most pressing issues, valuable updates, and the essential preparations for the road ahead

It would be more than fair to say that 2022 has been an eventful year. As we emerged from the COVID-19 pandemic, the future looked somewhat brighter at the end of 2021. The removal of the majority of COVID-19 restrictions meant that in-person events were back on the agenda, something that the asset servicing world has certainly benefitted from. Yet, as the year went on, the world changed once again as we saw upheaval in the global, financial and social spheres.

Russia's invasion of Ukraine in February was the culmination of years of tension, prompting global supply chain issues and contributing to a financial crisis that many are comparing to that of 2008. The UK faced numerous political scandals and prime ministers, further destabilising its economy and deepening political rifts. Even the World Cup, which should be a more jovial event, has caused much controversy. But despite this, and so much more, it has not all been bleak.

Digital assets

Digital assets have continued their upward trajectory, but it has not been a steady path. Comments at October's Sibos conference in Amsterdam referenced the "crypto winter," a phrase used to describe the price drop of cryptocurrencies seen throughout the year. Industry experts almost universally agree that there have been major developments in the digital assets sphere over 2022, but recognise that new issues and concerns around them have provided consistent problems.

"This year has been very mixed for digital assets," says Andy Schmidt, global industry lead for banking at CGI. He cites client asset safeguarding developments, improved reporting compliance and a more open market as steps forward, but adds that "volatility remains a key challenge". The collapse of FTX, for example, "indicat[es] that there may be broader vulnerability across the market."

This vulnerability "shone a light on the fact that central intermediaries are often more commonplace in digital asset markets than purported," says Stephen Prosperi, head of product management and digital securities at DTCC. "Unprecedented market events" have attracted increased scrutiny to digital assets and decentralised finance, "raising questions about the level of trust needed in this supposedly trustless ecosystem."

However, what some may call 'catastrophic events' may have been beneficial for the sector as a whole, according to Ed

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> *"[ESG is] fundamental to the operation of market structures and valuation of securities"*
>
> **Vincent Kilcoyne, SmartStream**

Gouldstone, product and business advisor for asset management at Linedata. One response to crypto volatility has been a call for stricter regulation, with Gouldstone predicting that "when crypto currency values return to more interesting levels, the regulatory machine will have progressed to a stage that starts to make it look more reasonable to have crypto within a regulated mutual fund type product".

Already observing such changes is Rajeev Tummala, director of digital, data and innovation, securities services at HSBC, who emphasises the increase in regulatory clarity, decentralised finance and infrastructure that has been seen throughout 2022.

Also optimistic about the digital asset landscape this year is Samir Pandiri, president of Broadridge International. "It has been a fantastic year for digital assets," he says; along with widespread industry acceptance, "there has been significant industry innovation in this space." He remarks that the importance of cross-industry collaboration cannot be overstated, and the partnerships of smaller fintechs with major global presences have been paramount to the success of a number of digital asset initiatives.

Although "the digital asset arena has undergone substantial upheaval," the emergence of more crypto initiatives from major industry players, including HSBC, Deutsche Boerse and BNY Mellon, has prompted overall growth and demonstrates institutional acceptance, says Vincent Kilcoyne, executive vice president for product management at SmartStream. With calls for digital assets to be considered in the same way and to function alongside traditional assets, many clearly believe in the longevity of this relatively new asset class.

ESG

Of course, ESG has remained a major issue for the industry, and the world as a whole, particularly in light of continual climate change-related disasters across the globe. Adam Cottingham, product manager of corporate actions at SmartStream, states that ESG has moved beyond being "a 'nice-to-have'" and has now, thanks to widespread acknowledgement of its importance, become "fundamental to the operation of market structures and valuation of securities".

Not all of the industry has been convinced, though — Stuart Kirk's resignation from his post as head of responsible investments at HSBC in May, following his dramatic and controversial Financial Times conference appearance, is a reminder that there are still those who do not believe that climate change is an apocalyptic threat to the industry. Nevertheless, environmentally influenced regulations have been slowly but steadily making their way into industry practices.

"This is a great development to see in the field of ESG and sustainability," says Broadridge's Pandiri, particularly in light of the often hurried responses to market demands that have been seen previously. The growing awareness of market participants of ESG issues and greenwashing have prompted regulations requiring transparency, disclosures and a "common market understanding," adds Linedata's Gouldstone.

However, the reality is not always so idyllic. With the implementation of SFDR II scheduled for implementation on 1 January 2023, firms have rushed to prepare for stricter regulation and more intense scrutiny of their ESG claims.

With confusion around definitions and disclosure requirements, many have had difficulties meeting deadlines around the regulation and working out how to conform to it in the coming year.

Data availability and quality has plagued the industry across the board, and is not just limited to ESG. However, with investors becoming more concerned with firms' ESG and sustainability credentials, inconsistent data availability is becoming a much more tangible threat. "How can organisations report their data if they lack a common method of interpreting it, and cannot readily find it?" asks CGI's Schmidt. As Lloyd Sebastian, vice president of global financial institutions at CIBC Mellon, puts it, companies need "to align their purpose with what they do and how they do it will continue to rise in criticality" as time goes on.

> *"How can organisations report their data if they lack a common method of interpreting it, and cannot readily find it?"*
>
> **Andy Schmidt, CGI**

Despite the bumps along the way, the industry has made considerable progress around ESG this year, in both education and application. "People are not only talking about it but are taking it seriously and making real changes," says Vicky Dean, managing director for EMEA at Goal Group. She states that firms are aiming to have a positive impact on both their own work and the world around them: "It is now a key factor in decision making, and in shaping businesses in the present and the future."

Settlement

Settlement changes have continued to be a major talking point, with T+1 already a certainty in India, the US and Canada. In 2022, conferences buzzed with panel discussions that (for the most part) saw panellists agree that Europe needs to catch up. Disparity, however, comes with the question of when the shift will occur. At this year's Sibos conference, speakers were split on whether T+1 was near-ready for implementation or still had further to go, with many predicting that it will be at least another five years before Europe joins the club.

Observing clients and the market at large, John Abel, executive director of clearance and settlement product management at DTCC, comments that larger sell-side firms with centralised project teams and allocated budgets "have started reaching out to their counterparties, leveraging expertise from the prior US move to T+2". In contrast, smaller buy-side firms "are still assessing the best approach to prepare" for a shortened cycle, focusing on optimising and accelerating processes through automation.

Although the industry has spent considerable time and effort developing technology and improving automation to prepare for T+1, the issue of time zones must be addressed. "Asset managers may have only a few hours' cross-over with the broker and market on T+1 in their current process," says Ben Pumfrett, head of product and profitability for the middle office at RBC I&TS.

The fact that Europe crosses far more time zones and borders than its T+1-toting counterparts cannot be ignored — the sheer amount of regulatory consensus that must be achieved across the 27 EU member states to implement any large-scale change can be described as daunting, to say the least.

"The challenges of operational compression, market practice changes and wider system change are complex and need a clear plan, but the scale of the change means time is of the essence," warns SmartStream's Cottingham.

Philip Slavin, CEO of Taskize, adds that there may be a technology barrier in place. "The continued use of antiquated methods of communication and data sharing," such as email and phone, "significantly increases the chances of firms failing to make T+1." Even if companies feel ready to launch into shorter settlement cycles, they will first have to address some fundamental elements of their operations.

At this year's AFME OPTIC conference, DTCC's Andrew Douglas said with regard to T+1 that: "2022 is the year of planning, 2023 will be the year to build, and 2024 will be the year of implementation".

With the year nearing its end, Pardeep Cassells, head of securities and claims products at AccessFintech, does not believe that the industry has done enough to prepare.

She says that "industry conversations are still at a relatively unadvanced stage," however states that this is not unexpected, given that the Securities Industry and Financial Markets Association's T+1 handbook was not published until August 2022.

Considering the major barriers still in place, Cassells adds that "market participants do not have access to the data they need to make the necessary preparations. Right now, the industry still seems to be asking questions about what to build."

Ludovic Blanquet, chief strategy and transformation officer at Xceptor, mirrors Cassells' comments. "Few firms have made meaningful progress" in their T+1 plans over 2022, he says. This is either because they believe "that their existing processes are already efficient enough," or more likely because they have "hopes of an implementation extension."

However, Broadridge's Pandiri is optimistic about firms' progress, and is open to extensions of compliance dates. "People are really focused on preparing for T+1 settlement cycles," he says, and reassures that there is always a fallback option.

"Like any regulatory change that happens, you can always postpone or delay the transition so that you can move forward when you are ready."

Along with shortened settlement cycles, 2022 has seen the implementation of the central securities depositories regulation (CSDR), which aims to harmonise some of the disparate post-trade regulations across the EU and avoid settlement fails. However, its launch was not the smoothest, and its effects have not been felt particularly strongly.

Despite an initial drop in settlement fails, the figure has now risen back to fairly similar numbers.

A number of panellists at this year's AFME OPTIC conference suggested that CSDR still has a long way to go before it makes a considerable difference to settlement rates, with Jesús Benito, head of domestic custody and TR operations at SIX, asking regulators to "be realistic" in their expectations of the industry's ability to comply.

Ukraine

The Russo-Ukrainian conflict has sent economic ripples around the globe, often in unexpected ways. In September, Raiffeisen Bank International (RBI) talked to Asset Servicing Times about the influence that the war has had on its daily business. "Major economic consequences" required a reassessment of Russian operations, said Christian Geberth, head of global investor services at RBI, with sanctions on the Russian market providing further difficulties.

"International sanctions meant that the asset servicing industry needed to respond to complex restrictions basically overnight," reflects Joerg Ambrosius, chief commercial officer at State Street. He emphasises the importance of global networks, strong workforces and technologies to the industry in times of crisis. Despite the challenges that have been faced, he concludes that "overall, the industry and markets have demonstrated high resilience again".

The asset servicing world's response to the Russian invasion "is an indicator that whether it be political shocks, financial shocks or market shocks, the industry is prepared to weather the storm," says Broadridge's Pandiri. He goes on to place this year's geopolitical events in the greater industry timeline, stating that "the asset servicing industry has a lot of experience dealing with global disruptions."

Ken Fullerton, managing director and global head of hedge fund administration at SS&C, suggests that the ability to adapt to "sudden changes" around business as usual was kickstarted by the COVID-19 pandemic. The difficulties faced from early 2020 meant that firms "invested heavily in operational infrastructure, technology, and business continuity". This, he posits, has made the industry "more resilient in handling periods of market volatility and uncertainty" such as those seen this year.

2022 has had its ups and downs, as every year does, and the areas discussed here represent only a fraction of what Asset Servicing Times has reported on. The asset servicing industry has had to manage the impact of political turmoil, evolving demands of regulatory bodies and the continued echoes of COVID-19. However, it is clear that there have been moments of brightness in this difficult environment.

2023 is sure to bring a new set of challenges, and firms must ensure that they are getting ahead of them and firefighting before it is too late. The question now is: are you ready? ■

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Sionic welcomes Sascha Calisan

Sionic has appointed Sascha Calisan as asset servicing director, leading the distribution services capability.

Calisan has more than 25 years of experience in the financial industry, beginning her career at Morgan Stanley. She has since spent several years with RBC, before moving to Northern Trust in 2008.

Calisan held a number of senior roles with the bank, most recently as senior vice president and head of distribution support.

Commenting on her appointment, Calisan says: "Throughout my career, I have brought together people and ideas to solve common challenges. The fact that distribution is typically a very fractured part of our industry offers a real opportunity to think laterally, reduce complexity, improve efficiency and give clients (and their clients) the sophisticated simplicity they increasingly expect."

Ashley Sheen, managing partner in Sionic's asset management practice, adds: "Sascha is highly regarded, experienced and well-networked. Her arrival will enable us to help even more clients to tackle their strategic and operating model challenges in distribution and client experience.". ■

The European Central Securities Depositories Association (ECSDA) has elected Chiara Rossetti and Jesús Sánchez to chair two of its working groups (WGs).

ECSDA's policy WG will be chaired by Rossetti, while the settlement WG will be chaired by Sánchez.

Rossetti, who is senior manager of regulation for Euronext Securities Milan, has been a member of the ECSDA policy WG since 2012. She was previously vice-chair of the group.

Sánchez, who is head of settlement services at SIX, is well known within the settlement expert community in Europe and is a member of several technical and steering groups of T2S.

The ECSDA board shared the news in an online meeting in which they took the opportunity to thank former chair of the WG, Italo di Lorenzo, for his commitment to the policy WG.

They also thanked Tim Werner of Clearstream and Mathilde Joannet of Euroclear, respectively chair and vice chair of the settlement WG, for their work.

Broadridge Financial Solutions (Broadridge) has promoted Jim Kwiatkowski to CEO of LTX, its AI-driven digital trading business.

Additionally, Jim Toffey, co-founder of LTX, will be replacing Art Certosimo as chairman of the LTX board of directors. Certosimo will remain on the board.

Kwiatkowski has spent the majority of his career in the electronic trading industry. He has been with LTX since 2021, joining the company as chief revenue officer.

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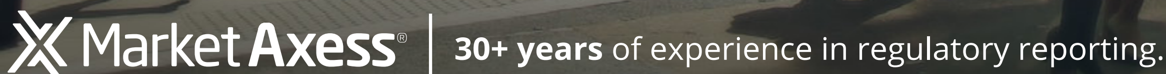

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Commenting on his appointment, Kwiatkowski says: "Since launching, LTX has made incredible strides toward advancing the structure of the corporate bond market for the benefit of all market participants. I am thrilled to have the opportunity to lead the team as we build upon that foundation."

Vijay Mayadas, president of capital markets at Broadridge, says: "Jim Kwiatkowski is a proven leader with the right expertise to scale the LTX platform and drive it forward."

He adds: "Jim Toffey's entrepreneurial vision has been instrumental in establishing LTX as a differentiated platform that enables dealers and their buy-side customers to connect and trade more efficiently."

Tony Jones has left JP Morgan, after spending more than 23 years with the company.

During this tenure, Jones served as market manager for network management and later for financial market infrastructure. Prior to joining JP Morgan, he was a vice president at Morgan Stanley.

Commenting on his departure via LinkedIn, Jones says: "I would like to take the opportunity to thank all my colleagues, past and present both at JPM and right across our industry for their wisdom, guidance and friendship over the last 23 years.

"Time now for new and exciting opportunities ahead."

CIBC Mellon has appointed Mal Cullen as CEO. He replaces Steven Wolff, who has retired after six years in the role.

Cullen has been with BNY Mellon for more than 20 of his 30 years in asset servicing, most recently serving as head of global digital solutions and commercial strategy. He will remain on the CIBC Mellon Trust Company's board of directors.

Wolff's time as CEO saw CIBC Mellon reach more than CAD $2.3 trillion of assets under administration and offer a number of solutions for Canadian institutional investors. During the COVID-19 pandemic, Wolff strengthened the technology foundations of the bank, maintaining customer connectivity.

Commenting on his appointment, Cullen says: "CIBC Mellon is known as a leader in asset servicing, with a tremendous team, engaged clients and a solid foundation as the Canadian arm of the BNY Mellon global asset servicing network. I am excited to help our clients transform their businesses and tap into the wide array of capabilities available through both BNY Mellon and CIBC."

Dan Smith, chair of CIBC Mellon's board of directors, says: "Mal brings experience in key focus areas for clients including data innovation, digital solutions and transformation toward more agile data-centric operating models. He has extensive experience in the Canadian marketplace and a global perspective that will help move the joint venture forward.

"We thank Steve Wolff for his strong leadership over the past six years and wish him all the best."

Stephen Pemberton has been appointed as CEO of Europe at SaaS company Coherent, after moving back to his native UK earlier this year.

Pemberton left Hong Kong, and his role as managing director and global head of direct custody and clearing and broker outsourcing product at HSBC, in September. He served in this role for more than three years, part of an 18-year tenure working in Asia.

Previously, Pemberton was managing director, account management for APAC at IHS Markit, a role he held from 2015 to 2019.

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

Apex Group (Apex) has appointed Anne Storie as country head for the Cayman Islands, effective immediately. She reports to Georges Archibald, chief innovation officer and managing director for the Americas.

Storie has almost 20 years of experience in the financial industry, joining Apex from Ashland Park Advisory where she was a managing partner. Prior to this, she served at solutions company Waystone for more than 15 years, holding senior leadership roles including CEO of Cayman and the Americas. She became a board member for the firm in 2019.

Storie is currently deputy chairwoman of the trade and business licence board for the Cayman Islands government, a member of the Cayman Islands Directors Association and involved in a number of charitable outreach programmes.

Apex Cayman offers a range of fund services to registered funds, mutual and private funds, administered funds, master funds and trusts.

Commenting on her appointment, Storie says: "I am excited to be joining Apex. It is well positioned to support Cayman-domiciled funds with the high levels of client service throughout their lifecycle, and I look forward to the opportunity to drive further growth and deliver exceptional solutions for our clients." ■

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