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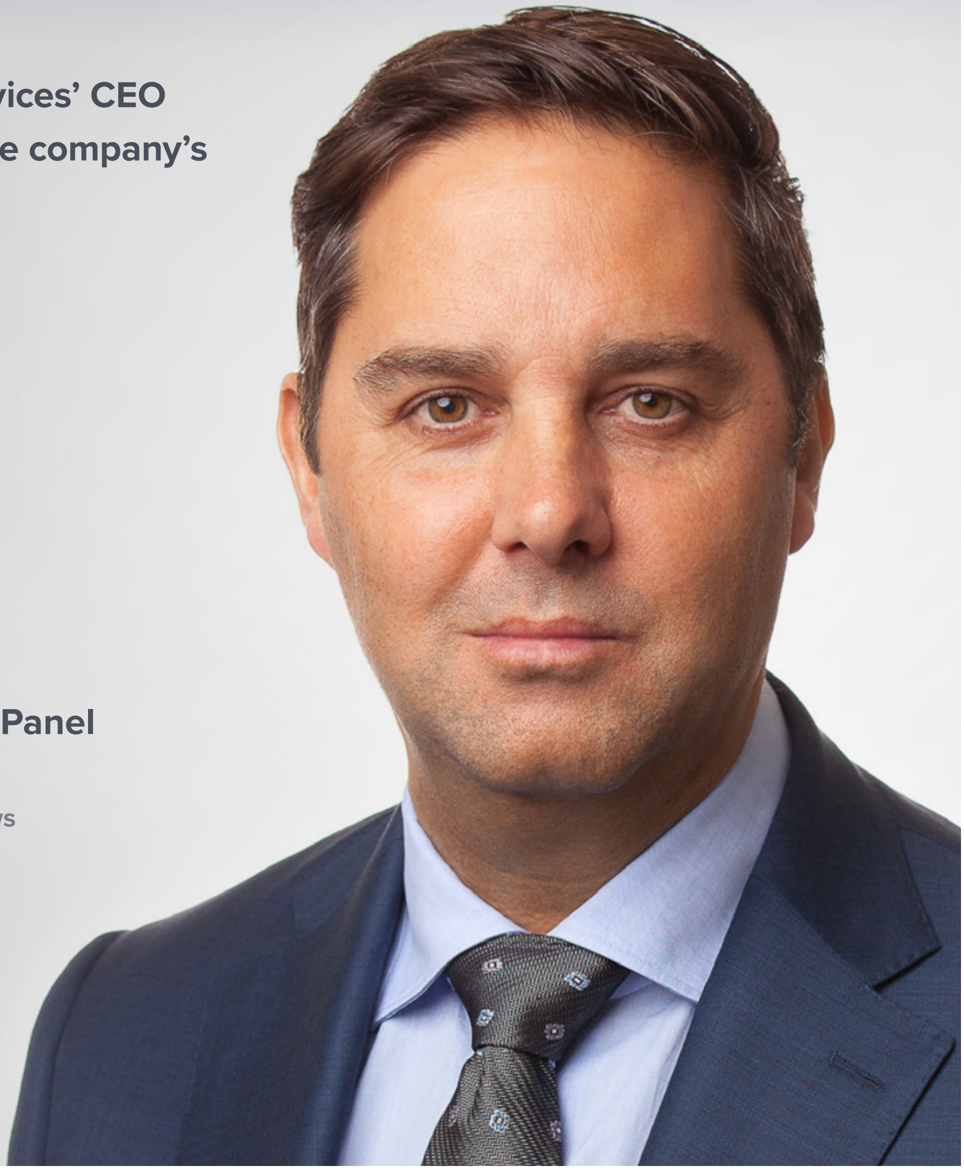
Sowing The Seeds of Success

MUFG Investor Services' CEO John Sergides on the company's growth strategy



T+1 Countdown

Should the industry boost in-house technologies or look to outsource?

Shareholder Rights Panel

Proxymity, Broadridge and Confluence share their views

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Proxymity collaborates with FIS to launch new proxy voting service

Digital investor communication platform Proxymity has partnered with solutions provider FIS to launch 'FIS Proxy Voting by Proxymity'.

The new solution has been introduced to help clients fulfil their ESG goals and Shareholder Rights Directive II (SRD II) regulatory requirements.

The digital proxy voting service assists issuers, intermediaries and investors to ensure that investor communications are delivered in real-time.

The service allows FIS clients to benefit from an end-to-end digital connection to improve shareholders' voting experiences by facilitating instant distribution of meeting announcements.

In addition, the new service will enable FIS clients to establish extended deadlines, while also providing them with a confirmation procedure.

Tony Warren, head of strategy and solutions management for capital markets at FIS, says: "Efficient corporate governance is key to our business and that of our clients, and we believe that this new service will strengthen this proposition and could reduce costs for several issuers at this critical time."

Jonathan Smalley, co-founder and chief operating officer at Proxymity, adds: "The benefits of this collaboration between FIS and Proxymity will be felt keenly among businesses eager to eradicate inefficiencies in their current channels. The primary goal must be to ensure investor communications are seamless and swift, which 'FIS Proxy Voting by Proxymity' will guarantee. We look forward to seeing the fruits of this collaboration." ■

Contents

Pictet selected to provide custody for DNB's UCITS fund

Norway-based DNB Asset Management has selected Pictet Asset Services to provide custody and fund administration services for its Luxembourg-domiciled UCITS umbrella fund.

The umbrella fund is a UCITS SICAV and is composed of 17 sub-funds which manage €3 billion in assets.

As part of the mandate, Pictet will provide custody and administration services for investment funds as well as additional support services, tailored to the DNB umbrella fund and its management company.

DNB Asset Management is a prominent asset manager in the Nordic region and Norway's largest asset management company with AuM €77 billion.

Marc Briol, CEO of Pictet Asset Services, says: "Our long-standing expertise and extensive offering in servicing third-party funds allows us to adapt our service level to meet the client's needs and align with their operating model.

"Pictet's sense of client servicing is reflected in our staff responsiveness and flexibility, enabling us to quickly adapt to our clients' preferences from early onboarding discussions."

Mike Judith, managing director of DNB Asset Management S.A., adds: "We are pleased to be able to count on Pictet Asset Services' strong suite of bespoke services and support in our ambition to continue expanding our international customer base with our range of Luxembourg-domiciled funds." ■

FMIs well-placed to combat climate-related financial risks, DTCC says

Financial market infrastructures (FMIs) face less climate-related risk than other financial services entities, The Depository Trust and Clearing Corporation (DTCC) states in a recent whitepaper. The first analysis of its kind, 'Climate-Related Financial Risk: An FMI's Perspective', looks at the physical and transition risks associated with climate-related events such as extreme weather, assessing their impact on FMIs.

While FMIs face direct physical risk and indirect transition risk exposure via their financing activities, this is reduced through financial institutions. The risk exposure of FMIs is also significantly shorter than that of other financial services entities, the report states.

The paper finds that although FMIs' business continuity programmes have been effective thus far, firms must continue to develop them in light of the potential for more frequent and intense climate-related events.

In order to mitigate climate-related financial risk challenges in the future, DTCC recommends the application of existing

regulatory frameworks and standards such as the principles for financial market infrastructures (PFMI).

However, the paper advises that the risk management of green bonds should not be prioritised, regardless of their potential to fund solutions for climate-related challenges. This would undermine the main function of FMIs to provide a resilient post-trade infrastructure for the securities industry, it says.

DTCC is reducing its climate-related risk exposure by adding climate-related trending metrics to its existing programmes and adding climate-related risk monitoring into its counterparty credit risk assessments.

Michael Leibrock, chief systemic risk officer, says: “Climate change is no longer being considered exclusively as an environmental issue, but a multifaceted source of economic and financial risks that could threaten the stability of the financial ecosystem. As such, DTCC includes climate-related financial risk as one of the many potential systemic threats that it actively analyses and monitors. This paper examines how climate-related risk can impact FMIs via direct and indirect risk transmission channels.

The overarching message is that existing PFMI guidance was appropriately designed by global policymakers to cover FMIs’ unique exposure to climate-related financial risk.”

Clearstream develops relationship with Ukraine

Clearstream is to expand its relationship with Ukraine’s capital market by offering access to a broader range of asset classes and reconstruction-related instruments. In doing so, the company aims to support the country as it rebuilds its infrastructure and economy. The additional asset classes will facilitate cross-border investments and, in turn, improve liquidity in the domestic capital market, it says.

As part of the initiative, it will open an account at the National Bank of Ukraine to connect to the National Depository of Ukraine. This will be supported by the Ministry of Finance of Ukraine.

Jan Willems, head of global markets at Clearstream, says: “We operate our link to Ukraine with the aim of enabling further international investment opportunities. This decision emphasises our commitment to the Ukrainian market and our local partners and, most importantly, our aim to actively support the reconstruction of the country.”

Yuriy Butsa, government commissioner for public debt management in Ukraine, comments: “We welcome the expansion of the Clearstream link to the new assets in Ukraine. The initial opening of the link to the Ukrainian market back in 2019 proved to be a game changer for our local government bond market and significantly contributed to its development.

“We believe that the simplified access to diverse Ukrainian investment products for international asset managers will not only help bring foreign private capital to participate in the reconstruction of Ukraine, but also boost the development of the Ukrainian capital market.”

Qomply launches transaction reporting service

Qomply has launched QomplyDirect, an integrated, full-service solution that allows companies to send transaction reports directly to the UK Financial Conduct Authority. Five financial firms have contributed to the project’s development.

The end-to-end submission process is managed through the platform, removing the need to engage several service providers or an approved reporting mechanism (ARM). This will reduce costs and heighten firms' control over their operations, the company says.

To achieve a fully 'hands-off' solution, the platform works with QomplyEngine to take raw trade files from a drop point, create, enrich and validate the relevant transaction report, and deliver it. If a firm is working with large data volumes, these can be managed through Qomply's application programming interface. Alternatively, those wanting to enact a staged migration can employ an ARM in tandem with QomplyDirect. Report status will be monitored through the new platform.

Starlight Capital picks RBC I&TS for fund services

Toronto-based asset manager Starlight Investments Capital (Starlight Capital) has chosen RBC Investor & Treasury Services' (RBC I&TS') custody, fund administration and shareholder services. Starlight Capital offers mutual funds, exchange-traded funds, memorandum funds and structured products.

A subsidiary of real estate investment and asset management firm Starlight Investments, the company holds more than CA $1 billion in assets under management and recently acquired Stone Investment Group.

RBC I&TS will service the consolidated business.

Graeme Llewellyn, chief financial officer and chief operating officer of Starlight Capital, says: "RBC I&TS has demonstrated a great deal of passion and knowledge about our business and offers a differentiated experience in the shareholder services space."

"They engage with us frequently to understand our priorities and, given the depth and breadth of their fund experience and commitment to client service, we are confident RBC I&TS is best positioned to support our growth."

David Giannone, global head of business development at RBC I&TS, adds: "RBC I&TS is thrilled to expand its relationship with Starlight Capital, and we look forward to being part of their continued success." ■

John Sergides
CEO
MUFG Investor Services

Sowing the seeds of success

With more than US $770 billion in assets under administration and expected to pass the $1 trillion mark by the end of the year, MUFG Investor Services has certainly made its mark — and shows no signs of slowing down

Lucy Carter reports

When John Sergides, MUFG Investor Services' CEO, joined the company in 2015, he recollects that the business was "not well-known" in the Western asset servicing world. Now, however, it's a different story.

"MUFG Investor Services started off with a couple of, by today's standards, small acquisitions," Sergides says, recounting the company's entrance to the international fund administration market. Driven by saturation in the domestic Japanese administration business, it made two acquisitions in 2013, Butterfield Fulcrum Fund Services and Meridian Fund Services, and closed a third deal on UBS Alternative Fund Services in 2015, quickly raising its assets under administration to US $260 billion.

Later additions, such as Maitland in 2020, alongside a continued investment in fintech "have given [it] a platform to rapidly deploy advanced technology and innovate at a much faster pace than others in the market." This strategy is what has allowed the company to transform so rapidly over the past five years, Sergides believes.

Another contributing factor to MUFG Investor Services' success has been its non-Western approach to business, he notes. "In keeping with the Japanese tradition, we're a long-term player in our strategic investments. This allows our clients to feel confident that we are not considering exiting the space, especially in this age of massive consolidation across the fund administration industry."

"Many institutions on the street jump in and move out. The ability to take a long-term view, to see five to 10 years down the road and plan for it, is unique," Sergides says, particularly in an industry so focused on the short-term view. "It allows you to grow and build anticipation around what the future holds, without worrying [as much] about the next fiscal quarter."

Germination

MUFG Investor Services offers a 'one-stop-shop' for clients — or partners, as the company prefers to call them — offering a wide variety of services from a single provider.

It used to be that fund administration was demanded by investors and reluctantly agreed to by asset managers. Now, however, partnering with the right fund administrator is known to increase revenue, facilitate growth and reduce workloads.

"The more an asset manager, pension fund or hedge fund can lean on their partners to cover middle-, back-office and other functions, the better off they are," Sergides affirms. "Without the right partner, [they] can't achieve [their] strategic goals." Fund managers need to stay focused on what they do best: generating alpha for their investors.

Broadly speaking, larger asset managers fare better in times of volatility; they have more tools at their disposal. However, Sergides stresses that the best way to combat challenges,

> *"Pick the right partners who will grow with you, who will be able to support you through difficult times. You can never adjust the wind, but you can adjust the sails"*

whether they are around regulation, barriers to entry or increased oversight, is to have the right solution provider on board. Rather than worrying about changes to taxation and the like in-house, the focus can remain on core operations and keeping clients happy.

When it comes to dealing with fast-paced regulatory updates, geopolitical events and unpredictable circumstances, it's vital to "pick the right partners who will grow with you, who will be able to support you through difficult times," Sergides states. "You can never adjust the wind, but you can adjust the sails."

Choosing the right partner is not an easy task, but the most important factor is the ability to work together and drive both of your businesses forward, Sergides says. "Too many people on the street think that this is a zero-sum game, that one party has to give and the other takes." No part of life is like this, he argues: "The best deal is one where you both win."

Branching out

"Fund administration is a well-trodden path. Everyone knows what it is, what it's supposed to do and what it's supposed to cost."

However, with the asset management world being hit by economic and political challenges in recent years, administrators need to be addressing a much broader spectrum of services, Sergides asserts. This is on top of the usual regulatory pressures and budget squeezes from year to year.

"Being a one-trick pony can work while things are going well. As things get more difficult, there are more pressures, and you have to adapt." Areas that "have not historically been the domain of asset servicing companies" need to be considered, Sergides says, with MUFG Investor Services branching out to provide a broader range of services "from fund financing, to subscription lines, to leverage and securities lending" and beyond.

Being backed by MUFG, one of the largest financial groups in the world, MUFG Investor Services benefits from being able to tap into the parent company's healthy balance sheet to offer clients a range of fund financing solutions designed to provide them with lines of credit to help them reach their goals.

This is especially important as firms try to balance concerns over rising interest rates and a shifting economy, while also staying focused on a growth trajectory.

"If we decide to offer a service, we want to be the best at it," Sergides asserts. "If we're not going to be number one or two in the industry, we will not do it."

This approach has garnered high industry praise for MUFG Investor Services' foreign exchange (FX) overlay solution, which has outperformed the competition — including banks.

One way that the company achieves the high expectations it sets itself is by bringing in a range of employees from outside of the industry to provide expertise and guidance in non-traditional territories.

"When I look at my management committee, almost everyone comes from the buy-side and entrepreneurial backgrounds," Sergides reflects. "I, myself, have a trading and engineering background." He highlights the importance of attracting those with skills and expertise around "things that asset managers are crying out for" — FX, structuring and financing, for example.

Strong roots

"The pandemic shone a bright light on a couple of technology issues," Sergides outlines. "First, physical server-based challenges, and second, cyber security vulnerabilities."

Numerous scares in recent years, with asset servicing firms hacked, threatened, or held to ransom, have hammered this point home for the industry. The solution to these problems is the right investment in technology.

"Before the pandemic, we created our cloud strategy mandating a cloud-first approach, and today, most of our system workloads are cloud-based. Making this happen requires investing heavily in technology, either through acquisition or by building it ourselves," Sergides states.

"The technology needs of many firms is enormous, with outdated legacy systems no longer fit for purpose," he continues — an issue that will only worsen as time goes on if not addressed and invested in. "The best time to plant a tree was 20 years ago. The second-best time is now."

In terms of what seeds the industry should be sowing in anticipation of the two decades ahead, the answer remains the same: development of innovative technology, correct use of artificial intelligence, and democratising technology to all facets of the business, not just within internal IT departments.

"Costs typically go one way – up." Many companies solve this by moving their operations to cheaper locations, something that "doesn't help anyone," according to Sergides. "Wage arbitrage is terrible, from a society perspective and a firm perspective, and the client doesn't benefit."

"You have to break that link between a growing book of business and a linear growth in the number of people," Sergides insists, automating "the most mundane daily tasks" to allow for fewer errors, compliant regulatory reporting and "better choices and better careers" for employees.

> ***"The next big space for us is payments. There is massive demand to facilitate payments across the industry and this is a natural space for us to move into"***

Those who are not yet fully onboard with their technology investments are "more prone to trouble," Sergides cautions. "There's always time to correct course," he reassures, but that window is "not infinite."

MUFG Investor Services sees "nearly 30 per cent growth on average" year over year, Sergides reports, "and has [done] so consistently for five years."

MUFG Investor Services is well-prepared for the path ahead, with several projects in the pipeline. Although many of these are still undisclosed, "the next big space for us is payments," Sergides reveals. "There is massive demand to facilitate payments across the industry and this is a natural space for us to move into." ■

A question of space and time

The year for the US and Canada to move their settlement compression time is almost certain to be 2024. With the countdown on, should the industry boost in-house technologies or look to outsource — particularly when T+1 is not far, far away?

Brian Bollen reports

"A long time ago, in a galaxy far, far away" instinctively feels like a good way to start a story about the arrival of T+1 in the world's major trading markets — a story that feels like it started a long, long time ago.

For long-time international financial market participants and observers, there is a suspicion that the story will go on forever, with endless bifurcations, prequels and sequels. Of course, this introduction is from a pre-internet filmic fiction. At the time this film hit the big screen, the settlement of trades and other stock movements were conducted through back-office processing, taking place on a batch basis.

Young people of today, brought up with iPhones, Spotify and Netflix, find it hard to imagine a time when the internet was nothing more than science fiction. The settlement of trades and other stock movements being completed in this way is inconceivable. It's likely, then, that they will not bat an eyelid at the thought of the looming arrival of T+1 in the US and Canada, other than to ask: "why was it not done earlier?"

The US and Canada will not, of course, be the first, as Pardeep Cassells, head of securities and claims products at AccessFintech, reminds us.

"India is doing a phased-in go live on T+1 and it has been pretty successful so far," she notes. "The push for T+1 in the US and Canadian markets is now on," she adds. This push is not, she stresses, as a result of regulatory change, as many references to it suggest.

"The markets themselves are driving change, working to their own timetable, which makes it more likely to succeed. The first half of 2024 is the target. Not everyone wants it, however, and some firms will struggle more than others as the move from T+2 means the loss of around 90 per cent of pre-settlement investigation time."

Faced with the need to invest in more technology to do more straight-through processing (STP), organisations have a choice to make. Do they boost in-house technology? Or do they outsource?

Cassells outlines: "Reinforcing in-house capacity presents an interesting puzzle, and the picture is complicated by a general loss of interest in working in finance. This is reflected in post-pandemic staff departures, especially at junior levels. Bringing in more staff to manage fails all day is a difficult sell, as it is not the most interesting job.

> ***"By switching from manual to automated processes for allocation, confirmation and central matching, firms can significantly reduce post-trade exceptions and costly reconciliation efforts, as well as reduce operational risk"***
>
> **John Abel, DTCC**

"Outsource it, and it is someone else's problem. We are seeing asset managers in the US consider the issue and decide to sign up to outsourcing even where it is not their current model."

Another option she identifies is to make the work interesting through automation, enabling talent to move from fails management to tackling issues up front.

John Abel, executive director of clearance and settlement product management at DTCC, mirrors Cassell's points.

"Implementing or improving post-trade automation is a crucial part of preparing for T+1, as it enables firms to accelerate the trade lifecycle," he says. "DTCC's priority is to help market participants prepare for the change through a series of educational initiatives in collaboration with the Securities Industry and Financial Markets Association and the Investment Company Institute.

"These efforts include leading industry working groups, conducting industry webinars, issuing whitepapers and implementation playbooks, and as delivering guidance on testing with DTCC. We are well prepared to meet the 2024 deadlines and are currently focused on preparing the industry for the shortened settlement cycle."

T+1: The theory of everything

Will the nature of T+1 be limited due to different timezones, or will there be knock-on effects elsewhere? Any trade in US equities, corporate and municipal bonds or unit investment trusts settling in the US will be subject to the move to T+1. The Canadian market will move to T+1 on the same day as the US. Other regions, such as the UK and Europe, have initiated formal projects to explore a move to T+1 in their respective markets.

For its part, the UK Government announced the launch of an accelerated settlement taskforce last December to explore whether, and how, the country could move to shortened settlement cycles and a distributed ledger technology-based system.

"The move to T+1 will impact non-US firms that invest into the US market," says Abel. "These firms will need to be aware of the condensed timelines associated with T+1 settlement and determine how they will address time-sensitive workflows and processes. Critical to achieving T+1 will be the allocation, confirmation and affirmation processes for institutional trades to take place on trade date, also known as same day affirmation (SDA). This is most likely to occur if post-trade processes are fully automated.

"Market participants should assess these processes now, and can turn to automated solutions either in-house or from third-party providers which enable them to achieve same-day affirmation and achieve the T+1 settlement cycle."

Market participants most impacted by the move to T+1 will be firms who have a high level of post-trade manual processing and institutions where industry standards and solutions have failed to be adopted. While T+1 may require certain market participants to increase their levels of automation, the benefits of doing so may extend far beyond meeting a shortened settlement cycle.

"By switching from manual to automated processes for allocation, confirmation and central matching, firms can significantly reduce post-trade exceptions and costly reconciliation efforts, as well as reduce operational risk," says DTCC's Abel.

"However, in order to take advantage of these benefits and be prepared for T+1, firms that currently have low levels of automation need to start their preparations now to ensure they have time for testing ahead of T+1 implementation," he cautions.

Moving through the cosmos

Chris Rowland, senior vice president and head of custody product at State Street, indicates: “T+1 implementation is a heavier lift compared to the previous move to T+2 in 2017. Sufficient time to implement is therefore critical. Planning focus in recent months has been on completion of deep-dive internal impact assessments, defining IT and operating model changes. T+1 will require buy-side firms and their partners, including custodians, investing in the US and Canadian markets to significantly streamline a large number of processes across the typical trade cycle.”

There are several key operational change effects that need addressing for DTCC’s internal operating model, something which must be done in collaboration with its clients and asset managers, says Abel.

Considering asset servicing, particularly corporate action activities, ex-date calculation for regular way dividend processing will shift from one day before the record date in a T+2 settlement cycle to the same day as the record date in a T+1 settlement cycle.

Other key operational change effects that need addressing for DTCC’s internal operating model includes affirmations, confirmations and allocations needed on a trade date.

Cut-off time for having affirmed institutional transactions automatically introduced into National Securities Clearing Corporation and DTCC in a T+2 environment is currently 11:30am ET. In a T+1 settlement cycle, the affirmation cut-off time will change to 9:00pm ET on trade date (or T+0), and timely trade allocations will become critical to ensure trade settlement.

“With the compressed settlement timeframe, client trade instruction deadlines will change,” Abel outlines. “We are recommending that clients evaluate their systems and look to add automation wherever possible in their operations, including via consideration of available custodian, vendor and market infrastructure solutions.”

As a result of shortened settlement cycles, custodians will be changing deadlines for instructions, execution and settlement. With these changes in mind, trading platforms may need to be linked to align foreign exchange (FX) execution with security trade settlement. Clients should consider the need to pre-fund for certain scenarios. Abel says: “We expect most FX transactions will be executed for same day value, and automation and STP will be essential for managers to meet the new tightened deadlines.”

> ***“T+1 implementation is a heavier lift compared to the previous move to T+2 in 2017. Sufficient time to implement is therefore critical.”***
>
> **Chris Rowland, State Street**

To assist managers with automating their current execution processes, State Street Global Markets have automated solutions and products that can help by integrating directly to clients’ order management and trading systems, or setting up standing instructions to execute an FX transaction as needed.

Discussing how T+1 will benefit the buy-side, Ben Pumfrett, head of product and profitability, middle office at RBC Investor & Treasury Services, says: “Outsourcing will allow buy-side firms to leverage service providers’ global operating models and technology investment to maximise automation and the shrinking windows for exception management, without requiring a capital outlay or the time to implement change.”

“Towards the end of 2022, we certainly started to see our clients’ attention switch to the impact of T+1 coming to the US and Canadian markets, with talk of how the UK and Europe could follow suit. In the discussions, the change required for clients to be ready is technology. To support a faster front-to-back workflow, utilising more automation and integrating it into the market utilities available is essential.”

He concludes: “Technology options for the post-execution workflow are now prevalent in the market or accessible via outsourcing.” ■

Getting it right

Proxymity's Jonathan Smalley, Broadridge's Demi Derem and Confluence's Greg Hotaling share their thoughts on all the recent developments in the shareholder rights sphere

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Do you think that shareholder rights should be classified as a regulation, rather than a directive?

> *"Do I think the participants in the ecosystem should take the directive and the implementing regulation more seriously? Yes. There are still multiple factors of the directive that are intended to benefit the ecosystem"*
>
> **Jonathan Smalley, Proxymity**

Jonathan Smalley: I don't think this will move the dial, especially when you consider an implementing regulation was issued by the European Commission alongside the Level 1 text. Do I think the participants in the ecosystem should take the directive and the implementing regulation more seriously? Yes. There are still multiple factors of the directive that are intended to benefit the ecosystem and lead to a more efficient, engaged and transparent process which are not being adhered to. It's time for stronger commitment from everyone. The technology exists to solve many of these problems and it should be leveraged.

Demi Derem: The short answer is yes. As a directive, Shareholder Rights Directive II (SRD II) had to be transposed into local law by all the various national authorities across Europe — a process that involved local market interpretation, which ultimately led to divergences in the transposition. For example: the definition of a shareholder, disclosure thresholds for shareholder identification, regulatory reporting requirements and non-compliance penalties.

This divergence, combined with significant latency in the transposition process and pre-existing, national-level differences in corporate law — impacting shareholder entitlements and shareholder rights — has resulted in considerable challenges and delays in market adoption. This has negatively impacted the principles and objectives that SRD II aimed to achieve.

Broadridge has been proactive in pushing for harmonisation and the adoption of Securities Market Practice Group (SMPG) standards as, like many others, we recognise the efficiencies it will bring to the industry. To drive the interoperability agenda, we have shared our analysis detailing the challenges to market adoption with appropriate industry bodies.

We have also provided our market analysis to the European Securities and Markets Authority (ESMA) as part of the recent 'Call for Evidence', which is the initial stage of the scheduled SRD II post-implementation review. From our vantage point, to remediate the current issues the next phase of legislation in this space will need to be introduced as a regulation.

Greg Hotaling: There have been concerns about the lack of SRD II's effectiveness to facilitate cross-border identification and voting by shareholders. Even the very definition of a 'shareholder' is not consistent across the EU (with some Member States claiming it can mean a nominee account holder, rather than an end investor).

While an EU Directive such as SRD II requires implementation by Member States through their national laws, which may differ, an EU regulation applies across the entire Union. In that sense, a hypothetical 'Shareholder Rights Regulation' could have made for a more effective regime, but it may have faced political and implementation challenges that could have conflicted with the domestic securities laws of each EU country.

In light of social media making it easier for individuals to voice their concerns about a company's operations, how does the industry need to change its approach to shareholder communications?

Derem: Social media and new platforms have played a significant role in giving retail investors a platform to express a view on companies in which they have invested, or plan to invest in.

In the first half of 2021, Broadridge observed the power of social media. The online forum Reddit helped drive a reaction from retail investors to engage and influence markets via their trading activities on stocks like Gamestop.

ESG themes have also been a global catalyst. The younger and more vocal generation of investors are 'online savvy' and their willingness to express their views publicly, inviting others to join the cause around matters such as diversity and sustainability, has never been so easy.

These market developments have influenced the way the industry, politicians and the public view the importance of social media.

Public relationship teams are slowly understanding that one tweet from the right person can have a significant impact upon their company's reputation, sales and share price.

In response to this, companies are interested to understand who their investors — both institutional and retail — are and what they are thinking.

As a result, many have implemented programmes to proactively manage communications and mitigate any activist activity that could lead to potential issues.

Therefore, shareholder disclosure and engagement is fast becoming a critical activity for many.

Smalley: Accessibility is a big issue. The systems in use today were not designed for individuals. We need to think about engaging with this audience, giving them bespoke tools designed just for them, not built for institutions.

"Public relationship teams are slowly understanding that one tweet from the right person can have a significant impact upon their company's reputation, sales and share price"

Demi Derem, Broadridge

This involves thinking about how they consume the information, but more importantly, how they actively participate in a meaningful but not time-consuming or laborious way. Social media allows them to express an opinion.

The work Proxymity is doing with BlackRock — to build new solutions that are tailor-made for individual investors — is proof this change is already taking place.

Some members of the financial services industry are concerned about a lack of clarity regarding the roles of each participant in the chain. How can this be resolved, and the directive harmonised across countries?

Smalley: Antiquated processes at national levels need to be examined carefully. If they add value or security to the process, then great. If they only exist through habit or tradition, they need to be abolished or redesigned for the digital age. This will simplify the ecosystem for everyone and drive efficiency, creating a better process.

We saw what could be achieved through necessity during the COVID-19 pandemic with new solutions. New processes were established almost overnight. It represents a missed opportunity that some of these processes around such factors as mandatory physical representation and paper powers of attorneys have slipped back in a number of European markets.

Derem: In the midst of the COVID-19 pandemic, it is fair to say that the EU and local regulators needed to strike the balance between forcing SRD II through the door and not being too heavy-handed with policing compliance. Two years on, reviewing what worked and what didn't is a useful exercise to undertake.

Providing clarity around the roles and responsibilities of each intermediary is essential to achieve market harmonisation and interoperability. Relevant industry bodies, such as the Association for Financial Markets in Europe, have helped regulators understand implementation issues that exist. They give an insight into the impact they are having on real and meaningful progress.

"In the midst of the COVID-19 pandemic, it is fair to say that the EU and local regulators needed to strike the balance between forcing SRD II through the door and not being too heavy-handed with policing compliance"

Demi Derem
General manager international investor communication solutions
Broadridge

What technology changes need to come about for SRD II to be truly successful?

Derem: The primary technology changes that are required to make SRD more successful relate to electronic machine-readable transmissions between intermediaries, in ISO or methodology compatible with ISO, which would allow for interoperability and straight-through processing.

In response to the new regulation, the SMPG recommended the adoption of the MX ISO 20022 message format, as it was a clearly defined standard that complied with all aspects of the implementing directive and was designed with all specific aspects of proxy voting in mind. Despite the requirements, there remains much latency within the industry. There are a number of intermediaries who are still dependent upon legacy channels of communication to relay SRD II common data points. These legacy communication methods lack the capability to include many SRD II details in standard machine-readable fields, without enhanced manual intervention models.

Smalley: None. The technology and solutions to solve all the problems of the directive already exist. The challenge is the willingness to act. The pace of adoption has been slow, but it is ramping up. Now is the time for those across the ecosystem — issuers, agents, banks and brokers — to make up their minds and commit. The risks of non-adoption are not limited to regulatory compliance, but range from increased operational cost to poor customer experience.

"The technology and solutions to solve all the problems of the directive already exist. The challenge is the willingness to act"

Jonathan Smalley
Chief operations officer and co-founder
Proxymity

Do you think that a potential SRD III will improve the situation, or does the industry need to take a new approach?

> *"Those waiting around for SRD III, or betting on nothing happening without it, will regret it"*
>
> **Jonathan Smalley, Proxymity**

Smalley: I've said previously that no one should be waiting around for SRD III for change. It will take years, based upon the timings for the prequel directives.

While others disagree, I think looking and waiting for SRD III to improve the situation suits those not wanting change and those with something to lose. However, the case for immediate change is clear.

With an ever-increasing ESG focus, especially on climate change, there is a strong appetite from individuals to engage with and have an impact on the process. Those waiting around for SRD III, or betting on nothing happening without it, will regret it.

Hotaling: A possible SRD III should benefit the marketplace, for two reasons. First, it would build upon SRD II, a regime underpinned by a rationale that continues to make sense, perhaps even more now than previously. SRD II was meant to address concerns about 'short-termism' in shareholder behaviour — concerns not only expressed by the EU, but also reflected in various debates and national legislation in some of its Member States and other countries. Those concerns have not gone away, and you could argue they have increased with the prevalence of ESG investing (as SRD II addresses the 'governance' in ESG). So in that context, a possible SRD III is set up for relevancy and value as a piece of legislation.

Second, the problems with SRD II are clear, and are being heard by EU authorities. Many shareholders remain unidentified, and can't get the information they need about the issuer. Intermediaries remain hampered by technical challenges surrounding automation and rapid transmission of information.

SRD II transpositions into national laws have hampered its practical application across custody chains, from the issuer to the end investor. In October, the European Securities and Markets Authority's (ESMA's) 'Call for Evidence' solicited industry input on this matter, and should generate important feedback for the European Commission, and ultimately the European Parliament and Council, to consider at a legislative level.

Derem: We believe the principal objectives and spirit of SRD II remain very relevant and on point with current market sentiment. The challenge around local market implementation remains. Directives are not law; they are a series of requirements. How a Member State meets those requirements is really up to its discretion, and this is where the level playing field goes out the window. For a global market participant, this is where all the problems begin. Therefore, if we are looking for a meaningful change in approach, perhaps we should be talking about moving away from a directive to something more precise.

What are you hoping will result from ESMA's SRD II 'Call for Evidence?'

Hotaling: ESMA's 'Call for Evidence' will hopefully represent an important step in the EU's goal of facilitating shareholder engagement. Achieving this goal successfully will mean leveraging technology efficiently to provide shareholders with the information they need. In other words: harnessing data efficiently and transforming it into meaningful knowledge. At Confluence, the importance of that transformation is clear to our investment management clients, who we help comply with a number of EU frameworks as well as national requirements. The more variation they must contend with to satisfy their informational needs and obligations as shareholders, the more taxing these operations will become for them. To the extent SRD II may have missed the mark in this respect, it's vital that ESMA, through its 'Call for Evidence', properly considers the industry's views on how to fix it.

Smalley: I hope it highlights how many participants and markets have yet to truly adapt to the directive. I also hope that it becomes clear that something like post-meeting vote confirmation still has poor coverage, and that intermediaries and certain providers are still reliant on exchanging confidential shareholder data via email, spreadsheet or other outdated modes of communication. By highlighting these factors, I hope it further creates the business and industry case for adoption of the technologies which can truly solve the problems that many end users experience with the current ecosystem.

Derem: We expect that the ESMA 'Call for Evidence' will identify the key challenges that have negatively impacted the consistent adoption and implementation of SRD II. These challenges have been documented in detail in our whitepaper, entitled 'SRD II and Beyond,' released in October 2022. Due to its wide client base, and links with local infrastructure providers, Broadridge holds a unique position in the market in respect to understanding the challenges of intermediaries in the issuer investor value chain. As such, we have shared our observations and conclusions with ESMA and continue to work with them and key industry bodies to ensure that interoperability and market harmonisation are achieved. ■

"ESMA's 'Call for Evidence' will hopefully represent an important step in the EU's goal of facilitating shareholder engagement"

Greg Hotaling
Regulatory content manager, compliance solutions strategies
Confluence

Melanie Moos leaves Clearstream

Melanie Moos has left Clearstream, where she has been senior vice president for product management and investment funds for the past three years.

Moos joined Clearstream in 2015 as vice president for securities lending and collateral management in Luxembourg. In the role, she was responsible for the supervision of the middle-office team and the growth of the company's securities lending activities.

She became vice president of asset servicing in 2017, heading two back- and middle-office teams in Singapore. Moos also handled corporate actions in the APAC market and oversaw a tax team for customers in the region.

Returning to Luxembourg in 2019, she gained her most recent role as senior vice president of product management and investment funds.

Among other responsibilities, Moos led the initiation and development of Clearstream's investment funds product and handled large-scale transitions management and business transformation operations.

Commenting on her departure via LinkedIn, Moos says: "I have truly enjoyed every role I was offered. Thanks again to Clearstream and Deutsche Börse's inspiring leadership team for their support and trust over the years — it was a privilege to work for and with you!" ■

Digital asset custody and trading solutions Copper.co has named former chancellor of the exchequer Philip Hammond as chair.

Hammond has been a senior adviser at Copper for more than a year, contributing to the company's growth and global expansion. During his time with the firm, it has been chosen by State Street Digital as infrastructure partner and onboarded a number of hedge funds.

Prior to taking this advisory role at Copper, Hammond spent several years in politics. He served as secretary of state for transport, secretary of state for defence and secretary of state for foreign and commonwealth affairs before becoming chancellor of the exchequer in 2016.

He has been a continual supporter of digital asset technology in the UK, working to develop the need for a regulatory framework around digital assets.

Commenting on his appointment, Hammond says: "Recent security and regulatory challenges affecting the digital asset sector have only served to emphasise the need for safe, well-regulated trading infrastructure. Copper has pioneered the use of digital asset investment technology, which is increasingly emerging as the leading option for global financial institutions to trade and safeguard their digital assets."

Dmitry Tokarev, CEO of Copper, adds: "It has been a privilege to benefit from Hammond's strategic expertise forged by his successful career in politics and business. In addition to his guidance and experience benefiting and enhancing Copper, his public advocacy relating to the importance of connecting traditional finance with distributed ledger technology comes at a time when it is needed more than ever."

MUFG welcomes Laksh Vaswani

The Mitsubishi UFJ Trust and Banking Corporation (MUFG) has welcomed Laksh Vaswani as senior vice president and global head of trust operations.

Based in New York, Vaswani will spearhead strategic business initiatives to aid the growth of the firm's global securities lending solutions and US custody businesses.

He joins the firm from consulting group Program Management Professionals, where he acted as executive director of governance, risk, compliance, risk and control self assessments, internal controls and remediation.

Previously, Vaswani held a number of senior positions during his nine-year term with BNY Mellon, where he was most recently senior programme manager of operations, recovery resolution planning, governance, risk and compliance.

During his time in the financial services industry, Vaswani has also held positions at Morgan Stanley, Thomson Reuters and the New York Stock Exchange.

Commenting on the appointment, head of the trust business at MUTB Akira Iwamoto says: "We are pleased to welcome Laksh to the trust business. This hire is part of our overall strategy to selectively bring in experienced professionals who can hit the ground running by focusing on strategic client initiatives.

"Our goal is to continue to evolve and build out our securities lending and custody platforms and business models, to be able to adapt quickly to changes in markets, regulations and client needs." ■

Ukrainian commercial bank PrivatBank has appointed Oksana Kulish as head of custody services.

Kulish has almost 20 years of experience in the financial services industry, holding a number of custody services roles throughout her career.

She joins PrivatBank from the Central Securities Depository of Ukraine, where she has been head of client services for the past seven years.

PrivatBank is the largest bank in Ukraine, offering retail banking and UAH 296.4 billion in liquid assets as of 2021. It was established in 1992, and is now owned by the State.

Analytics and automation provider Transcend has announced a series of senior appointments, with Stephanie Dimarco, John Willian and Scott Freidenrich joining its advisory board.

Transcend offers liquidity, funding and collateral decisions solutions to a range of global banks, asset managers, broker-dealers and custodians.

The three additions to the board will support the company's accelerating global expansion, it says. Following a recent move into the European markets, it aims to grow its Asian presence.

Commenting on his appointment, Freidenrich says: "Transcend is a trend setter, being the first to implement collateral optimisation across tri-party agents as well as providing insightful liquidity analytics. The industry needs this breadth and depth to serve traditional collateralised business areas as well as treasury departments and liquidity managers across sell-side and buy-side institutions." ■