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Tradeweb, Euroclear and IGM collaborate to build new solution for syndicated Eurobonds

Tradeweb, Euroclear and Informa Global Markets (IGM) have partnered to build a solution for syndicated Eurobonds in the primary market.

The solution, expected to launch in Q3 of 2023, aims to improve the way investors access and manage critical pre-pricing data for newly-syndicated Eurobonds by providing security identification and set-up processes.

Many newly-issued Eurobonds currently enter the market without essential information regarding the new bond, including security identifiers and critical deal information. Owing to fragmentation in primary markets, timely and accurate reference and real-time deal data can be delayed.

According to Euroclear, this hinders market participants from satisfying data requirements to book trades in newly-issued securities. Buy-side investors are often left with the task of finding manual workarounds and face the risk of incorrect orders or allocations, it adds.

Through the Euroclear and IGM data solutions, the information describing the new issue, the security identifiers and the deal data will become available on Tradeweb at a much earlier stage in the trade process and on a real-time basis, as a newly-issued Eurobond is marketed and priced.

Through Tradeweb, participants will have the ability to consume the collated data directly or via Tradeweb's existing order management system integrations. This will allow investors to automatically set up their new issue securities and manage their order and allocation process.

Philippe Laurensy, group head of strategy, product and innovation at Euroclear, comments: "Through this solution, we will address a critical issue for primary market investors around the need for quicker access to reliable new issue deal information for Eurobonds. We are extremely pleased to be working with Tradeweb and IGM on this initiative, which we expect will significantly reduce cost and risk on the buy-side community." ■

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Deutsche Börse leads Next Gate Tech funding round

Technology provider Next Gate Tech has announced an €8 million investment round.

The funding will be led by Deutsche Börse Group's corporate venture capital unit, DB1 Ventures, and supported by NewAlpha Asset Management, Volta Ventures, Expon Capital and Seed X, all existing investors.

The company aims to help firms optimise their operations, reduce overall cost and improve customer experience.

Next Gate Tech offers a data management, insights and analytics software-as-a-service platform which generates a golden copy from various datasets. The platform is able to oversee delegates, analyse investment behaviours, compare performance and calculate risk-based metrics.

Following the investment, Enrique Sacau, CEO of Deutsche Börse Group's data franchise Kneip, will join Next Gate Tech's board.

David Matucci, CEO of Next Gate Tech, says: "We are excited to have Deutsche Börse as our lead investor, and we are grateful for the continued support of our existing investors.

The new funding will enable Next Gate Tech to enhance its products and services further and expand its reach to new markets."

Sacau comments: "This investment by our parent company Deutsche Börse Group cements our partnership with Next Gate Tech. The logic of it is to add more value to our clients on the back of delivering both exceptionally high-quality data and bigger coverage of their value chain."

Clearstream creates a new bank in Luxembourg

Global post-trade services provider Clearstream has created a new bank in Luxembourg dedicated to serving institutional fund investors.

Clearstream Fund Centre S.A. will operate under a commercial banking licence in Luxembourg and will be interlinked with Clearstream's international central securities depository (ICSD) and central securities depository (CSD) businesses.

It will serve Clearstream's fund execution business Vestima, providing access to more than 230,000 funds in over 50 markets.

Vestima provides order execution, settlement and custody services and holds a commercial banking licence via Clearstream Fund Centre S.A..

The new bank will also be regulated under MiFID to support clients to fulfil regulatory fund requirements.

Philippe Seyll, CEO of Clearstream Fund Centre S.A., says: "It is at the heart of Clearstream's mission to support the wealth management and banking community with best-in-class execution services, efficient distribution management, state-of-the-art technology and data solutions."

Holland College picks Northern Trust for asset servicing

Holland College has selected Northern Trust to provide asset servicing solutions including custody, investment risk and analytical services. Based in Prince Edward Island, Canada, Holland College is home

to The Culinary Institute of Canada, the Atlantic Police Academy and the Holland Hurricanes athletic teams.

It provides industry-focused training and has more than 60 full-time career training programmes to help students reach their goals.

As part of the mandate, Northern Trust will also provide benefit payment services.

Jillian Cameron, director of human resources at Holland College, says: “From the initial onboarding experience to the solution-oriented approach to our daily inquiries, the Northern Trust service model has proven to be outstanding.

“Innovation and technology were key priorities for our institution when we went to market for a new provider; the platforms are user-friendly, with enhanced security features that play a significant role in maintaining data integrity.”

Katie Pries, president and CEO of Northern Trust Canada, adds: “We’re very pleased to provide these new capabilities to Holland College, and we look forward to continually bringing new technology innovations to their teams.”

BNP Paribas’s Securities Services introduces two digitalised reporting platforms

BNP Paribas’s Securities Services has launched two new platforms to bolster its digital offering to alternative fund managers and their investors.

CapLink Investor and CapLink Private aim to give BNP Paribas’s clients secure access to digitalised reporting, ESG insights and data analytics capabilities to enhance their investment-making decisions.

CapLink Investor offers information across fund holdings. It is designed for hedge fund and liquid alternative managers, single hedge funds, funds of hedge funds and their investors.

CapLink Private offers risk and performance analytics capabilities for non-listed investments. It is designed to enable private management companies, diversified asset managers and asset owners who manage private capital investment programmes to have an up-to-date view on their investments. This includes private equity, private debt and infrastructure in direct funds or fund of funds structuration.

Management companies using CapLink Private also benefit from an integrated white-label interface to ensure a secure communication channel with end investors, BNP Paribas says.

In addition, automated features have been added to address risk management controls around document access and sharing.

BNP Paribas Securities Services co-created CapLink Investor and CapLink Private with AssetMetrix, a German-based fintech specialising in non-listed investments.

The platforms are available on BNP Paribas Securities Services’ client portal NeoLink.

Patrick Hayes, global head of alternative investors at BNP Paribas Securities Services, says: “We have taken great care to understand how we can create the best digital experience for users, while helping fund managers stay on top of growing reporting, transparency and data accessibility requirements.

“We are determined to build on these developments to ensure our clients have all the information they need at their fingertips to be more efficient.”

Family offices shifting to alternatives, Ocorian research finds

42 per cent of family office investment managers “strongly agree” with the statement that the industry is pivoting to alternative investments and believe this to be a long-term shift, according to recent research from Ocorian. Around a third of participants believe that their funds will increase allocations to real estate assets by at least 50 per cent, with the same figure seen for private debt.

The study polled more than 130 family office investment managers, located across the world and holding approximately US$62.425 billion in assets under management. Considering what areas are seeing the most exposure to alternative investments, more than half of respondents (54 per cent) named the EU. This was quickly followed by the UK at 53 per cent, with the Middle East and Asia and the Americas only selected by 38 and 32 per cent of participants respectively.

77 per cent of respondents reported growth of alternative allocations in funds, making them the most popular vehicle for such investments. 56 per cent saw growth in special purpose vehicles and general/limited partners. Those polled stated that this shift is the result of strong recent performances from alternatives, as well as the diversification benefits that such investments bring and the transparency of the asset class. The growing range of options in the sector was also cited as an appealing factor, along with the desire to invest ahead of inflation protection and generate a regular income.

Commenting on the findings, Amy Collins, head of family office at Ocorian, says: “While [alternative] assets offer the potential for higher returns, they also require a higher level of expertise and specialised knowledge. Rising interest rates help to ease the urgency of finding alternatives to cash, but an issue is that people can sometimes think there is a binary choice between holding cash or going for a risky asset.

She continues: “The rise in the private capital model is changing the way investments and transactions are completed — they can use their own family office competitive advantages, which means they enact the transaction and then refinance it if they need to, and they can be much more flexible, with often just one person making the decision at the top.” ■

Ashmita Gupta
Senior vice president of global analytics
Linedata

Start today

Linedata's Ashmita Gupta explains how predictive insights from AI and ML can help fund administrators and asset managers stay ahead of the game — and why the time to start is now

In recent times, asset managers and their administrators have grappled with a continued stream of unprecedented challenges. A triple threat of rising inflation, interest rates and costs have sent markets scrambling.

As a result, budgets continue to tighten while revenues struggle to increase. Coupled with heightened regulatory scrutiny and growing reporting obligations, firms are also more vulnerable to hefty fines and the reputational harm that follows.

Given these economic pressures, operations in asset management must evolve quickly to save bottom lines.

Despite the high costs, in terms of time and inefficiency, many firms are still continuing to use legacy risk management technology and processes.

To stay competitive in today's demanding market, companies must innovate – and quickly. Leveraging advanced analytical tools like artificial intelligence (AI) and machine learning (ML) to augment operations data can be crucial in gaining a strategic advantage.

With these tools, managers can benefit from better decision-making, employees can focus on higher-value tasks, and firms can benefit from improved quality of results in highly visible yet still manual operations.

Overcoming errors in post-trade operations

Data is the compass that guides asset management. Accurate data enables successful decision-making and safeguards profitability. However, accessing the right data and putting it to use has been an enduring challenge. Yet it is precisely in those labour-intensive processes, such as trade settlement, where the quality of information is critical but most prone to error. The importance of accuracy has become increasingly important with the Central Settlement Discipline Regulation (CSDR), which imposes daily penalty fees for late trade settlements.

In North America, the industry is moving in a similar direction — towards a T+1 settlement cycle. Moreover, as assets under management grow, the complexity and potential for mistakes also increase.

In most cases, the volume of information asset managers and fund administrators deal with quickly surpasses the capacity of human processing, adding to operational risk. These mistakes must be paid for, and can quickly rack up costs in time lost or, in the worst of cases, fines paid. This is where AI and ML can enrich the quality of data and eliminate missing, outdated or incorrect information. By enhancing trade settlement accuracy, AI and ML serve as a means to preserve profitability in an increasingly strict regulatory environment that imposes harsh penalties for trade failures.

> *"As predictions improve, with changes to business processes and behaviour, the more reliable a tool's data becomes for operations and risk managers to create their own proactive response strategies"*

In another critical process, AI and ML can be leveraged to mitigate net asset value (NAV) production delays and address the limited advance warning teams experience. The solutions can dynamically predict the likelihood of a late NAV, aggregating various accounting data sources for ease of access and analysis.

Empowering decision making

The predictive abilities of this technology continue to improve as more data is evaluated in ever-growing datasets. As predictions improve, with changes to business processes and behaviour, the more reliable a tool's data becomes for operations and risk managers to create their own proactive response strategies. The result: a virtuous cycle of improvement.

The task of how best to allocate resources no longer takes up as much time, but this also enables firms to make more informed staffing and planning decisions. As well as reducing operational costs, this is how a forward-looking process allows investment operations professionals to focus on higher-value tasks.

For example, in a regulatory compliance scenario, Clifford Chance and EY highlight the value of AI and ML in document intelligence, where the technology can analyse large volumes of unstructured data in key investor information documents, investment management and legal agreements before presenting actionable insights at scale. This not only allows a more responsive service and enhanced customer experience, but it also improves staff engagement by reducing manual tasks.

Often these models can integrate seamlessly with existing systems, allowing firms to benefit from the technology without significant cost investment. Deploying interoperable AI and ML in the cloud creates a resilient strategy for business continuity.

A future focus

Time is money. In fraud detection, this is especially the case. Firms cannot afford to continue spending countless dollars covering fraud losses, and the delays and uncertainty caused by manual review processes are equally untenable – particularly as they also contribute to systemic risk and can result in reputational harm.

By harnessing AI and ML, firms can tackle this challenge by performing detection in real-time and reducing the number of false positives compared with rule-based alerts. These solutions integrate internal and external data to provide a comprehensive view of a company's operations, not only facilitating quicker identification of the causes of failures but also enabling predictions of future faults. Indeed, it is much more efficient to prevent errors in the first instance than to rectify them after the fact. Cheaper, too.

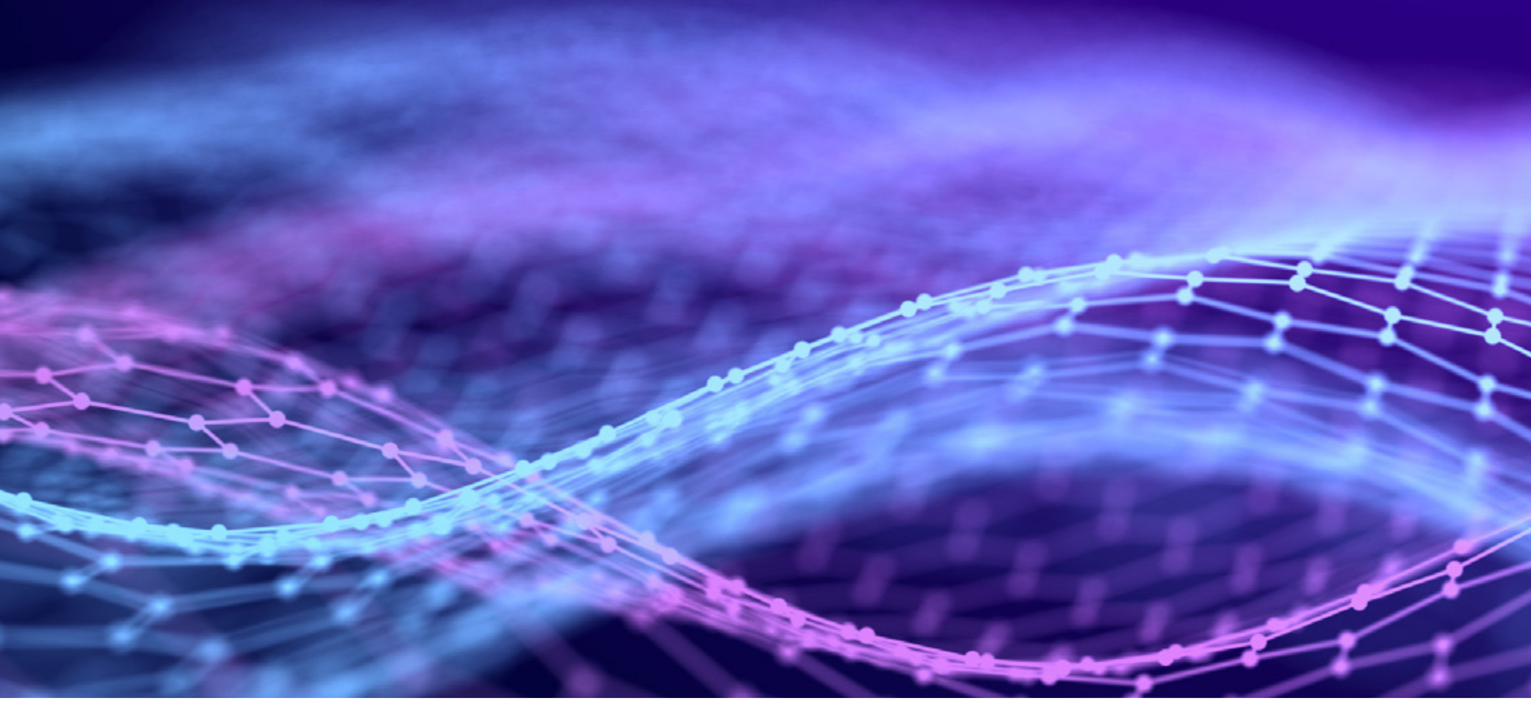
The asset management and asset servicing industries look to face yet another turbulent year ahead. However, firms that focus on integrating the predictive insights of AI and ML can rise to the challenge and gain the upper hand in operations.

The increased data availability, accuracy and efficiency of data can yield dividends in improved post-trade processes, reduce regulatory breaches and consequently lower financial and reputational risks. By improving their operations with AI and ML, firms can better serve their clients while adapting for the future.

So, why wait? ■

Electronic trading evolution

LTX CEO Jim Kwiatkowski talks to Lucy Carter about the evolution of electronic trading and LTX's relationship with Broadridge



A subsidiary of Broadridge, LTX provides an electronic corporate bond trading platform that offers increased liquidity to buy- and sell-side market participants.

Using a request for x (RFx) solution in place of the more traditional request for quotation (RFQ), the e-trading platform gives clients the option of one-to-many execution, full price development transparency and the ability to bid for preferred amounts.

Jim Kwiatkowski was appointed CEO of LTX in December 2022, after joining the company a year earlier as chief revenue officer. He has held various senior positions within the electronic trading industry, an area that he has seen develop over the course of his more than 30-year career.

Quick change

"Many years ago, electronic trading meant seeing some prices on a screen and picking up the telephone," he recalls. Although some asset classes continue to use this fairly basic system, others have moved on to be "as simple as point and click" or use automatic execution based on what trades are available. "Innovations in the last 10 years that have made the price discovery, price transparency and selection of best counterparty electronic have been really interesting," he says.

In the past five years, Kwiatkowski believes, the most significant development has been the evolution of data science. From the main complaint about data being its scarcity, firms are now finding themselves overwhelmed by the amount of information that they

receive on a regular basis. “People don’t want data, they want the insights from the data,” Kwiatkowski explains.

LTX allows customers to consume a lot of data by providing them with relevant insights, helping them to improve their efficiency and get the information that they need — and information they didn’t know they needed. “Sometimes machine learning can help you find an insight that you weren’t even looking for,” he remarks.

Keeping it going

Kwiatkowski is determined to continue LTX’s expansion over the course of 2023, with 2022’s growth already continuing its upward trajectory as onboarding continued through January.

“We’re going to continue to build out the customer base on both the dealer side and the buy-side,” he enthuses.

While the company is receiving positive feedback from customers, it is taking user experience into account to further develop its services.

This information is gathered from informal meetings, Salesforce client services and product management reports and the recently formed advisory board.

“That’s become a really useful forum,” Kwiatkowski says. An agenda-driven methodology helps the company to target specific areas of improvement, with this more structured approach complementing the continual feedback from client conversations.

Finding solutions

One of LTX's main selling points is its use of RFx, which is designed to solve two major problems of e-trading.

The method offers increased price transparency, allowing for participants to make more informed decisions, and uses a 'one-to-many' execution structure which simplifies the trading process.

"Typical trade sizes are quite small compared to what customers would like," Kwiatkowski explains, with trades measured in hundreds of thousands rather than the millions that the buy side wants to execute.

One order must be matched with multiple participants on the other side of the trade for clients to achieve what they set out to do.

Additionally, there is little to no price transparency for both sides of the trade. "There's no opportunity for someone to say, 'if I'd known I was going to lose, I would have bid more'," he states, and those on the sell-side are just as unaware of where competitors might be setting their rates.

For institutional investors wondering where to start with LTX, "participation begins in the liquidity cloud," Kwiatkowski says. The platform's main goal is to provide liquidity for customers, who become sources of liquidity themselves.

"Identifying those bonds that they might be sellers of, and identifying those bonds that they might be buyers of, becomes a source of liquidity for someone else that is a buyer or a seller," he explains.

Being a part of Broadridge is certainly a boon for LTX, the company's backing giving them a greater market presence. "Broadridge is a very trusted partner of the fixed income community," Kwiatkowski reports — and trust is essential when clients are handing over lists of the bonds they wish to buy and sell.

Confronting crises

Although LTX is looking to the future, it is impossible to ignore the impact that 2022 and all the crises that came with it has had on the market. "Liquidity access worsened," Kwiatkowski comments, going on to predict that this downward trend "may continue as a direct result of interest rates."

Dealers, that hold inventories and connect buyers and sellers, often have to deal with delays.

Someone may want to buy on a Monday, but the seller may not want to sell until a later date, sometimes weeks or months after the fact.

With interest rates getting higher, the cost of holding the inventory is rising in tandem. "The availability of that balance sheet to facilitate that trade has declined," and will only continue to do so as authorities hike up interest, Kwiatkowski predicts.

The solution to this is to identify liquidity on the sell-side of the trade earlier and through different means, Kwiatkowski argues.

This is where LTX's liquidity cloud steps in: "Our clients are saying, 'here are the things I'm interested in buying, here are the things I'm interested in selling'. We collect that anonymously from all of our clients, and we're able to match buyers and sellers."

After seeing impressive growth and continually increased demand for its services, LTX is set for a strong year ahead.

Taking in and responding to client feedback will doubtless improve the company's offerings, and under Jim Kwiatkowski's leadership, it would appear LTX's success will not be stopping anytime soon. ■

Jim Kwiatkowski
CEO
LTX

Complete and compact

Guernsey has long been a popular destination for financial services companies to domicile funds, attract clients and conduct operations — something that looks set to continue

Lucy Carter reports

"The domicile decision can be a challenging one," Guernsey Finance affirms in its 'Fund Domicile Selection: Enabling Global Alternative Asset Growth' research report.

"It has meaningful implications for distribution potential, speed to market, set-up and ongoing costs" — and this is by no means an extensive list.

Guernsey Finance's research goes on to outline the priorities that firms hold when choosing a jurisdiction. Where the existing business is based and operates is, of course, a primary factor. Following this are tax considerations, regulatory and structural environments and the preferences of investors.

With this in mind, why is Guernsey such a popular jurisdiction to choose? What is it offering the industry that other domiciles can't?

On the regulatory side, Guernsey Finance chief executive Rupert Pleasant states that "time and again people who have used Guernsey as a domicile for financial services have reported that the accessibility and flexibility of the Guernsey Financial Services Commission has been an important element of doing business in Guernsey."

In relation to the global stage and worldwide economic turbulence, the region "continues to successfully endure and adapt to new challenges," Pleasant continues. In a recent study from the company, more than 80 per cent of local professionals reported healthy business development and profitability — the island has remained stable through adverse conditions.

In the middle

Reputation plays a key role in the island's success. Guernsey's financial services ecosystem "has built up over decades as the funds industry has evolved and matured" says Chris Hickling, country head for Guernsey at Apex Group. Currently, 80 per cent of global wealth is accessible through a Guernsey-domiciled fund, a figure even more startling when the jurisdiction's size and location are considered.

Guernsey is not a part of the UK, but it is a part of the British Isles. It has never been a part of the European Union, but it maintains a relationship with it through the Trade and Cooperation Agreement. Guernsey is a country that hovers between definitives, yet this is something that often works in its favour as a hub for financial services.

Images by arndale/stock.adobe.com

> ***"Brexit has provided a catalyst to establish new relationships and negotiate trade agreements"***
>
> **Chris Hickling, Apex Group**

Guernsey's non-EU third country status bestows greater flexibility onto its regulatory framework, facilitating a more "business-friendly environment" and allowing for "closer relationships with other non-EU jurisdictions, which can open up new business opportunities," Hickling adds.

It also provides a "proven, faster smarter route" into EU and UK markets, Guernsey Finance says, along with "unrivalled global market access". Remaining outside the UK and EU, while maintaining strong relationships with both, leaves Guernsey somewhat "shielded from political, legal and fiscal volatility on either side of the Channel," Pleasant explained in a 2021 article.

This strength was hammered home by Brexit, which has "only enhanced Guernsey's attractiveness" to both investors and fund managers alike, Pleasant argues. With its regulatory approval scheme and National Private Placement Regime outpacing the AIFMD passport, Guernsey's appeal is only getting stronger as time goes by.

Although he acknowledges that Brexit "has provided a catalyst to establish new relationships and negotiate trade agreements," Hickling is not so sure of Brexit's positive impact. He cites uncertainty around the future of Guernsey's relationship with the UK and Europe, and the danger that the UK's crash out of the union could have on Guernsey's trade and financial services.

One such danger is the potential loss of passporting rights, which Guernsey had previously accessed through the UK's EU membership. If the ability to service institutions across the EU without the added burden of each member state's regulatory approval is removed, then it could be harder for Guernsey to compete with EU financial centres, Hickling says.

Getting the job done

A small space with a big industry, "access to talent is a perennial challenge," Hickling asserts. It's a long-standing problem, but recent events have exacerbated the issue.

In the long run, Brexit "could limit the pool of talent available to Guernsey-based financial firms and make it harder for them to innovate and grow," Hickling explains. Already, "as a non-EU country, Guernsey may find it harder to attract highly skilled workers from the EU." An even more limited talent pool would doubtless be detrimental to the jurisdiction.

Following swiftly on the heels of this political rockiness, the COVID-19 pandemic and associated travel restrictions prevented new workers from moving to Guernsey. The island is still feeling the consequences of this pause, and is experiencing inflated housing and living costs along with the ongoing difficulties brought by housing restrictions and population management on the island. Guernsey may be one of the strongest financial services centres in the world, but no matter how much it expands its business proposition, it cannot expand its landmass in tandem.

Guernsey has several initiatives in place to further expand its global reach. One area that the jurisdiction wants to target is South Africa, which has been, and will continue to be, "a key focus of Guernsey Finance's promotional activities," Pleasant affirms.

The country has been grey-listed over insufficient action around money laundering and financing of terrorism, something that Pleasant says came as no surprise to Guernsey-based funds active in the region, nor to the Guernsey regulator. Operating in South Africa will require enhanced client due diligence and client base analysis, he explains, but "all firms have rigorous policies and procedures in place to meet their obligations."

The Middle East is also a key focus area, with Aaron Russell-Davison being appointed as a dedicated representative of the Guernsey Finance Business Development team in the latter half of 2022.

As a region with a rich concentration of high net-worth individuals, the Middle East "holds many opportunities for Guernsey," Russell-Davison says. To attract the next generation of private wealth holders, he posits, the jurisdiction must emphasise its sustainability credentials — which shouldn't be a challenge, given its ESG track record.

A green outlook

ESG considerations are another factor that companies consider when choosing a jurisdiction, and this is an area where Guernsey shines.

Rules for the Guernsey Green Fund (GFF) were published in 2018, outlining the three main goals of a GFF product as seeking a return for investors, spreading risk and mitigating environmental damage.

At least 75 per cent of a fund's assets must be in line with the 'green criteria' outlined by the Guernsey Financial Services Commission for it to be classified as a GGF, something verified either by a "suitable independent third party" or a Guernsey-licenced fund manager or administrator.

The GFF is the first regulated green investment fund product in the world, and as of March 2023 it channels more than £5.6 billion into sustainable investments.

There's no doubt that Guernsey is one of the leaders of the pack when it comes to sustainable finance, something evidenced again by the launch of the Natural Capital Fund in September 2022.

The Natural Capital Fund specifically focuses on nature, covering both harm reduction and positive impact schemes. Its framework is more relaxed than the GFF, acknowledging transitional investment strategies and therefore allowing a greater number of funds to gain accreditation.

Following COP15, the fund's rules now align with the global '30 by 30' target, the goal of which is to conserve and manage a minimum of 30 per cent of land, coastal areas and oceans, and restore 30 per cent of terrestrial and marine ecosystems by 2030.

Guernsey is quick to update its sustainable frameworks and policies to meet evolving global targets, proving itself once again to be an alert, responsive jurisdiction.

As Pleasant states, "Guernsey has never been slow in innovating and adapting to exploit opportunities."

The jurisdiction encourages innovation, and keeps a close eye on changing regulatory conditions to offer market participants the best possible environment for their operations.

> ***"Guernsey has never been slow in innovating and adapting to exploit opportunities"***
>
> **Rupert Pleasant, Guernsey Finance**

Digitally ready?

However despite this reputation, a recent study from Guernsey Finance warned that its expertise around digital assets and blockchain requires improvement. With digital assets and all they entail becoming an increasingly prevalent part of the market, being able to accommodate them — and offer firms something new — is a challenge that the island will have to face head-on.

Thus far, Guernsey has been considered just as forward-thinking in its approach to digital assets as it has been to other emerging asset classes and regulatory developments. In 2017, it rolled out the first commercial blockchain technology for the private equity market, and in 2022 it launched its first cryptocurrency fund. But the digital asset world moves quickly, and matching investor demand in such a competitive market is something that financial centres are having to face the world over.

Over its long history as a financial services hub, Guernsey has faced every challenge that's been thrown its way — and it seems likely that it will keep doing so. Although it may be held back by the spatial and hiring restrictions its diminutive size causes, the island is on track to maintain its reputation and continue to grow, innovate and evolve. ■

CBDC — easy as 1,2,3?

How different regions are looking to create a working environment for central bank digital currencies. Brian Bollen reports

"Who put the 'i' in 'bitcon'?" What might have once been treated as a reasonably funny remark at a meeting of hard-line economic purists rather lost its heft as the so-called digital currency soared in value and, consequently, interest.

Eurex became the first exchange in Europe to offer bitcoin index futures on 17 April, representing some kind of progress towards normality and official acceptability for cryptocurrency.

This could be construed as a slap in the face for sceptics, and raises the question of whether we are seeing the debate move away from the philosophy of cryptocurrencies and digital currencies and towards everyday associated practicalities.

"The idea of a central bank digital currency (CBDC) stems from the ongoing digitisation of the economy and efforts to improve the efficiency of payment systems and access to banking services," affirms Swen Werner, head of digital custody at State Street.

Gaining momentum

David Durouchoux, deputy CEO of Société Générale – FORGE and Laurent Marochini, head of innovation at Société Générale Securities Services (SGSS), outline two different types of CBDCs: retail (CBDCr) and wholesale (CBDCw).

Marochini indicates: "CBDCr is a direct claim on central banks, meaning no credit risk for CBDCr holders. This can lead to the depletion of commercial banks' balance sheets and reduction of their liquidity."

He adds:"Wholesale CBDC is meant to provide settlement for capital market operations between banks as 'the fuel' of the markets, with no major balance sheet impact for banks.

Durouchoux outlines: "The focus was initially on CBDCr, because of the rise of cryptocurrencies. Now the focus is on CBDCw, because many banks have been entering into a real-world project of tokenising assets and such an instrument is needed to extract the maximum value from on-chain capital markets operations."

SWIFT hosted a timely event dedicated to the subject of CBDCs and global interoperability on 12 April, attracting registrations from far and wide. During discussions, Alexandra Thomé, digital euro expert at Deutsche Bundesbank, touched upon the central banks' wish for smooth payments, financial stability and atomic settlement.

"We're not monsters," she reassured, an affirmation given in the aftermath of recent events in the US and Swiss banking industries. "We like to see innovation, but the risk is moving too quickly," she clarified.

Much of the conversation centred upon the SWIFT CBDC interoperability solution sandbox project, announced in early March. In that announcement, SWIFT said: "Central and commercial banks see 'clear potential and value' in SWIFT's pioneering CBDC interoperability solution, following successful testing in a sandbox environment."

SWIFT says that CBDCs are "clearly gaining momentum." SWIFT cites figures from the Atlantic Council, which indicate that more than 110 countries are currently exploring a CBDC. It also referred to a recent survey by the Official Monetary and Financial Institutions Forum Digital Monetary Institute, which found that almost a quarter of countries are expected to launch one within the next one or two years.

Enabling interoperability

SWIFT cites figures from the Atlantic Council, which indicate that more than 110 countries are currently exploring a CBDC. As central banks around the world continue to explore their potential use cases in their local markets, it is clear that emphasis must be placed on ensuring that the evolving global payments landscape can continue to seamlessly interoperate. Enabling this alongside emerging innovations is a key focus and a key challenge for the financial industry as digital currencies develop.

However, most central banks are focusing primarily on domestic usage, which could lead to a fragmented landscape consisting of 'digital islands' if left unaddressed. "The national context differs according to local considerations and so does the actual solution that is being contemplated," affirms State Street's Werner.

Interoperability must be embedded from the start, and not added as an afterthought, it would seem. According to analysis by BanklessTimes, the total value of transactions carried out with CBDCs is expected to reach over US$200 billion by 2030. This marks a staggering increase of more than 260,000 per cent from 2023, where the market is currently valued at $100 million.

"The growth of CBDCs is a direct response to changing consumer preferences and increasing demand for digital payments," says BanklessTimes CEO Jonathan Merry. "As more people across the world become comfortable using digital payment systems, CBDCs are likely to become more popular. We anticipate that their use will snowball over the coming years, driven by factors such as improved efficiency and cost savings."

On 7 February, the Bank of England issued a consultation paper setting out its assessment for a retail CBDC – a so-called 'digital pound'. The underlying preparatory work was overseen by the joint Bank-HM Treasury CBDC Taskforce, established in April 2021.

The official announcement communicates the sentiment that, at this stage, the Bank of England agrees that the digital pound will be needed in the future. The digital pound would be a new form of sterling, similar to a digital banknote, issued by the Bank of England. If introduced, it would exist alongside, and be easily exchangeable with, cash and bank deposits.

The digital pound would maintain public access to retail central bank money and, as lifestyles and the economy become more digital, it would also promote innovation, choice and efficiency in domestic payments.

> *"There is a clear need for digital payment solutions that reflect the changing needs of the markets, and central banks can play an active role in this regard"*
>
> **Swen Werner, State Street**

As State Street's Werner indicates: "most CBDC projects are today focused on the retail sector, especially in the UK. Institutional payment arrangements, particularly for securities settlement, are thus not directly impacted." Nevertheless, HM Treasury and the Bank of England have said they will engage extensively with stakeholders across the UK to seek views on the proposed model.

Alongside the consultation paper, the Bank of England published a technology working paper outlining opinion surrounding CBDC technology. The paper does not set out a final design for a CBDC, the Bank stresses, instead setting out one possible approach to CBDC architecture. The Bank says clarification will evolve as its work accelerates.

The paper, along with the digital pound consultation paper, are products of the research and exploration phase of CBDC development, and mark the start of the 'design phase'. In the design phase, the Bank will conduct experimentation which will inform an evaluation of the technology feasibility of a CBDC, determining the optimal design and technology architecture.

Europe

The European Central Bank (ECB) says it is working with the national central banks of the eurozone to investigate whether to introduce a digital euro.

This would be a central bank digital currency — an electronic equivalent to cash, complementing banknotes and coins and giving people an additional choice about how to pay.

Having digital money issued by the central bank would provide an anchor of stability for the payment and monetary systems.

A digital euro would also strengthen the monetary sovereignty of the eurozone and foster competition and efficiency in the European payment sector.

"This investigation phase started in October 2021 and is expected to take around two years, concluding in October 2023," states the ECB.

"We are looking at how a digital euro could be designed and distributed, as well as the impact it could have on the market. Then we will decide whether to start the process of actually developing it."

The ECB reminds readers that a digital euro would be backed by a central bank, designed to meet the needs of citizens. It would be risk-free and respect privacy and data protection.

Central banks have a mandate to maintain the value of money, regardless of its physical or digital form.

SGSS's Durouchoux says he expects to see a "fragmentation of the landscape" in the immediate future, "due to each central bank having its own view and risk management framework — some choosing public blockchains and others private ones.

"The logic would be to use existing blockchain protocols to benefit from the most compatible protocols, but that is not the path chosen by the banks."

As a closing note, State Street's Werner affirms: "Irrespective of the rationale for implementing a CBDC, there is a clear need for digital payment solutions that reflect the changing needs of the markets, and central banks can play an active role in this regard."

Around the world with CBDCs

China

The People's Bank of China (PBOC) has been actively developing and testing its CBDC, known as the Digital Currency Electronic Payment (DCEP).

China has conducted several pilot programmes in major cities and has plans to further expand the use of DCEP for various transactions, including cross-border payments and international trade settlements.

Japan

In mid-February, the Bank of Japan gave a brief update on the CBDC experiments it has been conducting since April 2021.

This included the launch of a pilot programme in April 2023, following completion of the Proof of Concepts, through which it has been confirming the technical feasibility of the basic functions of a CBDC.

The Bank says that it will develop a system for experiments, in which a central system, intermediary network systems, intermediary systems and end-point devices are configured in an integrated manner.

The Bank will test the end-to-end process flow while exploring the measures and potential challenges for connecting the experimental system with external ones. At present, actual transactions are not assumed to take place among retailers and consumers.

The question of whether to issue a CBDC should be decided by discussions among the Japanese public, the Bank of Japan says. With a view to facilitating such discussions, the Bank adds, it will continue to make thorough preparations to respond to changes.

Sweden

The Riksbank, Sweden's central bank, has been exploring the possibility of issuing a digital version of its national currency, the Swedish krona, known as the e-krona. The Riksbank has been conducting pilot tests and engaging in discussions with stakeholders to assess the potential benefits and risks of introducing a CBDC in Sweden.

The Bahamas

The Central Bank of The Bahamas has already launched its own CBDC, called the Sand Dollar. The Sand Dollar is a digital version of the Bahamian dollar and is used as a legal tender for various transactions, including payments, remittances and bill payments. The launch of the Sand Dollar makes The Bahamas one of the first countries in the world to introduce a national CBDC. ■

Karan Kapoor
Head of risk and regulatory consulting
Delta Capita

Kevin Butler joins Ocorian

Fund services provider Ocorian has appointed Kevin Butler as head of capital markets for the EMEA region.

Based in Dublin, he will report to Cato Holmsen, CEO of Ocorian's Nordic Trustee.

Butler has more than 20 years of experience in the financial services industry, and joins Ocorian from TMF Group. At the firm, he was a managing director before becoming head of capital markets for EMEA.

Prior to this, Butler was head of regulatory reporting at Irish Bank Resolution Corporation and held chief financial officer and executive director roles at financial services provider FirstRand Group.

Commenting on the appointment, Holmsen says: "Kevin brings extensive experience in capital markets and will be a major asset as we continue to build our proactive special purpose vehicle administration, corporate trustee and loan agency services."

Butler adds: "I am very much looking forward to working with Ocorian's team of capital market specialists and helping further enhance the service to our growing client base across EMEA." ■

Professional services provider Suntera Global (Suntera) has appointed Kathryn Wilkinson as head of operations.

In the role, she will provide operational support to the company's Jersey office.

Wilkinson has more than 25 years of experience in the financial services industry, and joins Suntera from the Jersey Financial Services Commission where she was director of central operations.

She also served as a registry consultant, and was head of registry development between 2020 and 2021.

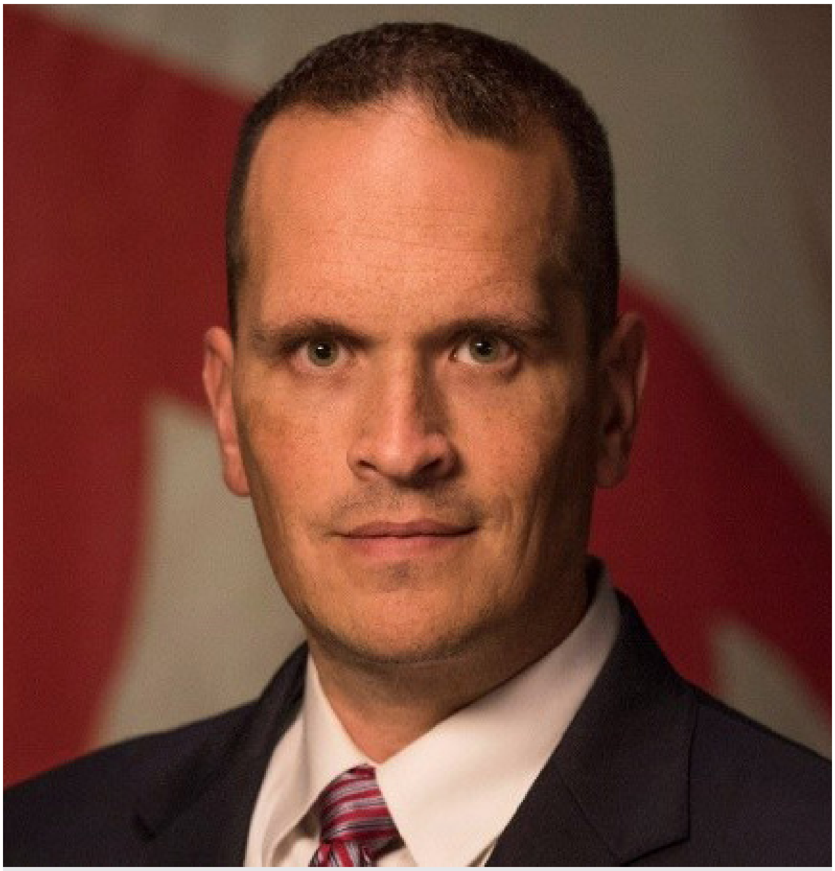
Earlier in her career, Wilkinson was director of risk, governance and operations for State Street Alternative Investment Solutions. She spent more than eight years with the company, holding a number of senior roles.

Mark Reynolds, chief operating officer at Suntera, says: "[Wilkinson's] significant experience, gained over more than two decades of working in international financial services, will undoubtedly add real value to the business. She will play an instrumental role both in supporting the objectives of our Jersey office and working with our multijurisdictional teams to help us realise our shared ongoing growth ambitions."

U.S. Bank has appointed Jay Martin as president of global fund services, part of the U.S. Bank wealth management and investment services division's senior leadership team.

Based in Milwaukee, Martin will lead a team offering customised product solutions for alternative investment, mutual funds and exchange-traded products.

Martin has more than 30 years of experience in the financial services industry,



Michael Gray returns to BBH

Michael Gray has returned to Brown Brother Harriman (BBH) as head of alternative transfers agency.

He will be based in Boston.

Gray has more than 20 years of experience in the industry, most recently serving as senior manager at equity management software firm Carta.

Prior to this, he spent more than 13 years with BBH in a number of roles, including head of alternatives client service and department head of alternatives. Earlier in his career, Gray was an account manager at Citco and held an assistant vice president role for operations at State Street.

Commenting on his appointment via LinkedIn, Gray says: "Although I already miss my colleagues and clients at Carta so much, I'm thrilled to be back in the Boston office and connecting with so many BBH colleagues, friends, and clients again!" ■

joining U.S. Bank from Citco, where he was head of operations.

Prior to this, he spent almost a decade with Citi in roles including president of Citi fund services and head of fund services operations.

Regnology, a provider of regulatory and supervisory technology solutions, has appointed Fabian Klar as vice president of sales.

Based in Luxembourg, Klar will report to Maciej Piechocki, chief revenue officer at Regnology.

He joins the firm from Swiss-based regulatory reporting platform deltaconX AG, where he was director of sales and customer relations between 2019 and 2023.

Klar was previously business development manager at REGIS-TR from 2017 to 2019. Prior to this, he spent a number of years at Clearstream, most recently within the global client relations team.

Commenting on the announcement, Piechocki says: "I am delighted to welcome Fabian into my team.

"He brings a wealth of sales management experience and valuable knowledge in supporting international regtech companies.

"He comes at an exciting time of accelerated growth for Regnology and will help us achieve our ambition of advancing regulatory reporting with a unique offering connecting regulators and the regulated." ■

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