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CACEIS Bank granted PSAN status in France

CACEIS group's French banking entity, CACEIS Bank, has become the first French custody specialist to be granted digital assets service provider (PSAN) status. The status was granted by the French's financial markets authority (AMF), acting on behalf of France's prudential control and resolution authority (ACPR).

PSAN status allows CACEIS Bank to offer digital asset custody services to third parties, an increasingly in-demand service among investment management companies and institutional investors.

Arnaud Misset, chief digital officer at CACEIS, comments: "In practical terms, we will provide secure storage for our clients' private digital keys leveraging state-of-the-art technology".

Eliane Méziani, senior advisor for public affairs at CACEIS, adds: "We are convinced that innovation and regulation go hand in hand.

Our PSAN status is the result of several months of work and the acknowledgment of CACEIS' role as a trusted third-party." ■

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Apex adopts Bloomberg data solutions

BNY Mellon will be the first trustee to join AccessFintech's data management platform as the firms expand their partnership, focusing on digitisation.

Through the collaboration, the firms will investigate the challenges faced around manual processes and the reconciliation of loan data. They will also look at historical issues in loan market operations such as the continued use of outdated workflows for trade lifecycle events.

By transforming loan data management and operations and digitising the loan lifecycle, financial institutions will be able to streamline their operations and improve data accuracy, the firms state. Digitisation will also allow for improved resilience and regulatory compliance while reducing risk, they add.

James Slater, CEO of corporate trust at BNY Mellon, says: "Today's announcement is an important milestone in our commitment to transform loan data management and placing our clients' needs at the forefront. By integrating AccessFintech's advanced technologies with our comprehensive services, we are embarking on a journey that will unlock fresh opportunities, stimulate innovation and deliver value to our clients."

Roy Saadon, CEO of AccessFintech, comments: "Our loan data aggregation platform, combined with BNY Mellon's extensive expertise, will transform the loan industry, offering financial institutions efficiency and accuracy."

EquiLend and Broadridge collaborate to streamline central clearing of SFTs

EquiLend and Broadridge Financial Solutions have formed an agreement to facilitate straight-through processing (STP) to the National Securities Clearing Corporation's (NSCC) central counterparty for equity securities finance transactions (SFTs). The offering will allow clients to trade and automatically submit through the Broadridge SFT Submission Service without a large change in operational processes. It will also utilise EquiLend's liquidity sourcing options.

Clients will profit from the capital cost and risk reduction benefits of central clearing through the new offering, according to the two firms. The Broadridge SFT Submission Service aims to provide the market with the capability to meet the NSCC requirements to match and submit through an approved trade submitter.

EquiLend's 1Source — a distributed ledger technology-based single source of truth for SFT lifecycle information — is designed to direct securities lending trades seamlessly to the NSCC for central clearing through Broadridge's Trade Submitter Service.

According to EquiLend, more than 2.2 million global transactions are executed on the technology firm's Next Generation Trading platform each month, which translates to more than US $2 trillion in total notional value.

US equities, which are eligible for central clearing with the NSCC, form the largest segment of securities on loan in the global securities finance markets, the firm adds.

Commenting on the announcement, CEO of EquiLend Brian Lamb says: "We are pleased to be working with Broadridge to offer our clients streamlined access to the benefits of central clearing."

BNP Paribas Securities Services launches AI assistant

BNP Paribas's Securities Services has launched a virtual assistant on its client services portal, NeoLink. The virtual assistant, NextGen Online (NOA), is based on the technology of Amelia, a conversational AI tool.

Leveraging Amelia's machine learning for context recognition, NOA assists clients to find the appropriate data through interaction with BNP Paribas' underlying systems, using a set of APIs to ensure reliability.

As part of the initial launch, the virtual agent will be able to answer custody queries on settlement, cash and market information.

Following the first phase, NOA's functionality will extend to other custody applications to support clients throughout the investment cycle.

The virtual assistant is available in English and French and is live on NeoLink 24 hours a day, six days a week.

As part of a rollout, NOA will be available on NeoLink for institutional clients based in the UK, the US, Jersey, Ireland, Colombia and Brazil. It will be deployed in additional countries throughout the year.

Philippe Ruault, head of data and digital transformation for Securities Services at BNP Paribas, says: "NOA offers clients a new, personalised experience, enabling them to access information and services.

"By providing clients with instant access to their data around the clock, NOA helps them to save time and focus on their core business."

Lanham Napier, president of Amelia, comments: "In the highly competitive investment banking industry, efficiency, accuracy and high-touch experiences are paramount.

"We are proud that BNP Paribas' Securities Services business has trusted Amelia to build NOA and elevate the experience for both its customers and employees.

"We have been helping global businesses leverage the best of conversational AI for nearly a decade, and look forward to continuing the partnership with BNP Paribas to meet their operational and commercial needs."

AFME releases climate risk stress testing report

In partnership with global management consultancy Oliver Wyman, the Association for Financial Markets in Europe (AFME) has published a report discussing the progress of EU banks around climate risk stress testing.

The paper, 'A Common Path to improve European Climate Risk Stress Testing and Scenarios Analysis', reports that, following the most recent ECB climate risk stress testing exercises, banks have developed sophisticated approaches to internally understand and analyse climate risks.

It also outlines five major challenges around climate stress tests for EU banks.

The first of these is scope, with a lack of materiality thresholds meaning that banks are unsure whether their stress tests are covering areas that are not materially affected by climate risks, such as market risk.

Of the banks surveyed by AFME, 87 per cent agreed that materiality thresholds need to be defined based on exposure and climate riskiness before further stress

tests are conducted, in order to more effectively determine which portfolios will be more impacted.

The second challenge is a lack of, or poor quality, data. AFME states that data is considered “the most important tools to accurately assess and understand the plausibility and severity of climate risks across financial risk types,” and, without access to sufficient data, firms are limited in their ability to project and respond to climate risks. Currently, all those surveyed rely on external data providers for climate data, and 87 per cent do so for physical risk data.

AFME’s research states that banks are hoping to see time horizons shorten in future stress test scenarios. This will allow them to make more realistic climate shock predictions that are in line with capital planning and risk management, the organisation says.

The scenarios used in stress tests are also in need of development, according to the report. 67 per cent of banks surveyed said that a lack of short-term scenarios, insufficient regional granularity for key scenario variables and inadequate scenario variables are the most limiting factors in the NGFS’ system. As this is the most commonly used baseline for the determination of transition and physical risks, these are key areas for development.

Banks are also facing challenges in how to integrate climate risks into existing risk parameters across risk types. A fifth of those surveyed affirmed that although they are exploring the impact of climate risk on other financial risk types, these are not yet being considered within European supervisory climate stress tests.

The report was conducted with the participation of regulatory and supervisory authorities, including the ECB, EBA and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and 15 of AFME’s member banks.

Constance Usherwood, managing director of prudential regulation at AFME, says: “Climate change remains a shared concern and priority for banks, their clients and financial authorities. While there are challenges ahead, collective efforts to improve climate risk stress testing methodology will be essential to further understand climate change patterns and their impact on the economy. ” ■

Robert Sims
Chief revenue officer
Allvue

Meeting the challenge

Allvue's Robert Sims talks to Lucy Carter about the challenges general partners are facing in the current environment and what they need to be doing to keep up with changing times

In 2019, Vista Equity Partners acquired back-office and reporting services provider AltaReturn and decided to merge it with data firm Black Mountain Systems. Combining the strength of the two companies created Allvue, an alternative investment solutions provider.

Robert Sims joined the firm in January 2021 as a senior solutions engineer for the firm's private equity division, and was later appointed head of solutions engineering for Europe.

Current affairs

Considering the current environment of market volatility and increased interest rates, "you would think that smaller managers would be hit less," Sims says. "They're typically relying less on banks to fund deals than the larger, later stage buyout funds and larger general partners (GPs)."

In reality, however, no market participant is exempt from the macro environment — they're just feeling the impact in different ways. "It's costing GPs more to keep the pre-revenue or non-profitable firms that smaller venture capital (VC) and private equity (PE) firms are investing into afloat," Sims explains.

"That, combined with the fact that valuations on acquisitions made in the last few years are probably down on where they were when they were acquired, means that it's a pretty tough environment for smaller managers."

Smaller GPs made a large volume of high valuation investments in recent years. Now, due to increased interest rates, there's very little deal activity happening and "managers have to instead focus on creating value in the investments they've already made," Sims says.

While larger GPs can afford to be more aggressive in their approach, as they have access to private debt funding and accumulated funds, "smaller GPs are really just trying to keep the lights on and add value within the investment they've made," he continues.

In order to be successful in the current environment, "the key is adding value from the inside out and playing a longer-term game," Sims affirms, suggesting that managers "batten down the hatches rather than looking for short-term exits."

There has been speculation that fundraising for alternative funds is on the rise, with research suggesting that alternative managers are confident they will see increased capital raised over the next year.

Sims is more cautious in his predictions: "I don't think we're going to be returning to the heady heights that we saw a couple of years ago any time soon — 2021 was the boom. But I do think things are going to pick up towards the later half of this year and into 2024."

Over the last few quarters, valuations of portfolio companies that have taken a hit have begun to even out. "It doesn't look like valuations are decreasing rapidly, as they have been," Sims reports. "That means that the internal rates of return (IRRs) are the one thing being hit. However, IRRs are going to start dwindling over time if no action is taken," he warns.

If GPs don't react quickly, their hands may be forced; "they'll have to start exiting on investments or those IRRs are just going to get worse. They have to accept the new market conditions."

Action is the only way forward, Sims affirms: "new deals coming to the market will fuel fundraising as GPs see lower prices."

> *"LPs and investors are becoming a lot more demanding because they see a higher risk associated with their commitment to a GP"*

Investor engagement

Increases in investor engagement are clear across the industry, with firms scrambling to meet the increasing demands of their clients. Whether it's having a say on ESG policies or being given a voice through pass-through voting, investors want their voices heard.

"I think limited partners (LPs) and investors are becoming a lot more demanding because they see a higher risk associated with their commitment to a GP," Sims muses.

One way to quell investor fears is with real-time data provisions, he offers.

If a GP is using a fund administrator and submits an investor's request for information, "that fund administrator might have a 90-day reporting deadline. That means it takes three to four months before an LP actually receives performance data for the fund."

In an increasingly fast-moving world, "LPs don't want to have to wait until the end of the quarter to see reports," Sims states.

"They're expecting a dynamic investor portal, where they can look at their exposures to different industries and geographies."

This type of provision is becoming the "gold standard" for GPs, he affirms. As LPs are often invested in several GPs, once one offers access to this data, it will become an accepted expectation.

By improving investor data access, GPs will be able to improve the trust their LPs have in them, Sims adds.

"Providing real-time access to the performance of the fund and the portfolio company, and being honest about when assets are underperforming as well as over performing, is important," he says. "In the market we're in, not everything is going to be rosy. You can't sugarcoat the information you're giving."

Giving investors the capability to serve themselves, to see performance data directly without having to go through a GP and a fund administrator, is the way forward. GPs need to "put more power in the LPs hands," Sims urges, by providing "dynamic reporting, portal software and a world-class technology stack."

Inside out

As investors send out greater numbers of ad-hoc requests, "the GPs don't have the internal staff to meet these demands." This is usually where a fund administrator comes in — but they, too, are struggling with industry-wide talent acquisition and retention problems.

While the rest of the industry is keen to embrace outsourcing as they try to keep up with the rapidly evolving regulatory and technology landscape, Sims notes "an increased trend for GPs to bring back- and middle-office operations in-house."

A direct response to the increased demands of investors, "GPs need to own their data in order to promptly and effectively respond to requests."

This in-sourcing generally takes one of two forms. Either fund administrators are entirely removed from the equation and GPs complete all operations themselves, or they maintain their current systems but operate "shadow books" in house. This involves "essentially outsourcing everything, but doing it in parallel in house so that if an investor calls up with a question, they can have that data at their fingertips."

Shadow accounting is a big trend in Europe, Sims reports, while in the US the trend is "co-sourcing". In this structure, a GP owns their data in house and a fund administrator logs onto their platform to perform the relevant services. This best-of-both-worlds approach lets GPs conduct reports faster and allows greater outsourcing flexibility — if a fund administrator's performance isn't up to scratch, the GP can switch providers with ease.

Technology focus

On where emerging managers should be focusing their technology and infrastructure investments, “we always recommend starting with the back office as phase one of an implementation,” Sims says. “Getting accounting and reporting in place is the priority.”

Of particular importance is ensuring that the technology being used is fit for purpose, and specifically designed for the market. “GPs with nothing in place are often using Excel, or a generic accounting platform. These systems are built for companies rather than funds, so have no way to natively allocate down to investors.”

Without the right tools, managers will be left with poor reporting and no investor-specific performance data. “Reports that don’t look like you’d expect from a fund, with no investor-level information or Institutional Limited Partners Association reporting templates — that’s a red flag,” Sims warns.

In short, “getting accounting and reporting in place is the priority, then you can add on additional modules such as investor portals or portfolio monitoring. It’s all well and good having shiny reporting tools, but an accounting system is always going to be the backbone of a GP’s operating model. It’s what will allow firms to quickly scale to capitalise on market opportunities when they present themselves.”

It’s no secret that many areas of the industry need to refresh the technology they’re using for day-to-day operations, and GPs are no exception. “If capital call notices are being sent out by email, there’s a good chance that the numbers in that document have just been plugged in by a person,” Sims says. “This is dangerous when you’re talking about capital calls and distributions.” He recounts a horror-story fat-finger error resulting from manual input of capital call data, cautioning that “one zero too few or too many can cost you an anchor LP, and can ultimately cost you your business.”

Allvue

With all the stumbling blocks that lie in wait for GPs, “the market is pretty crowded with private equity and private credit solutions — mostly point solutions that cover one specific aspect of the lifecycle,” Sims observes. So what differentiates Allvue from the competition?

“It’s all well and good having shiny reporting tools, but an accounting system is always going to be the backbone of a GP’s operating model”

“We’re a lot more focused than some of our competitors. We’re not part of a huge conglomerate, we focus exclusively on the private markets,” Sims says. “We’ve built a specialist platform for the whole lifecycle, covering everything from fundraising all the way through to fund accounting and portfolio monitoring.” By providing a one-stop-shop, Allvue removes the need for small and emerging managers to juggle several vendor relationships all at once.

The company’s technology also helps it stand out from the crowd: “We partnered with Microsoft, which builds the underlying modules, while we only focus on the private market-specific functionality.” This makes its products far more accessible, as the majority of users will be familiar with at least some aspects of Microsoft’s suite. “Employees can slot in without much training,” Sims explains, which eases the ever-present talent acquisition burden.

Allvue recently launched open APIs, whereby clients can select individual aspects of its solutions for their workflow while using additional vendors for other services. Just this year, the company has made its portal service available as an independent product. “Typically we offer the full front-to-back suite to emerging managers, but with this we’re targeting even smaller fund managers that only need the portal aspect of our solution,” Sims says.

Despite being on the scene for just under four years, Allvue has certainly made a splash. The firm is just at the start of its journey, and as market volatility increases, demands for investor engagement continue to rise and technology continues to develop, it certainly has not yet reached its peak. ■

Roger Woolman
Chief revenue officer
Deep Pool

How do you solve a problem like money laundering?

As global money laundering rules continue to tighten, Deep Pool's Roger Woolman examines how financial institutions can meet their heightened responsibilities

Are financial institutions around the world doing enough to implement robust anti-money laundering (AML) and know-your-customer (KYC) capabilities? Recent figures suggest not.

Approximately 1 per cent of the European Union's annual GDP appears to be involved in suspicious financial activity, while the United Nations Office on Drugs and Crime estimates that between 2 and 5 per cent of global GDP is laundered each year. That means that as much as US $5 trillion in illicit cash flows through the global financial system annually. In addition, a 2022 Eurojust report found that money laundering cases have been rising steadily since 2016, with over 600 brought to the agency in 2021 — more than double the number registered in 2016. The report noted that identifying the beneficial owner of criminal assets is a particular challenge. Cryptocurrencies, which are increasingly misused by criminals to launder illegal profits, pose another.

As gatekeepers to the international financial system, banks and other financial organisations have a duty to police actors' access to it. At present, their efforts are falling short. A litany of AML infractions, KYC system failings and sanction breaches at the world's financial institutions resulted in fines totalling almost $5 billion last year — more than a 50 per cent jump on 2021. That means that since the global financial crisis, around $55 billion has been meted out in fines. This eye-watering figure raises questions about the efficacy of such penalties to address firms' behaviour and systems weaknesses. However, a new raft of regulations for money laundering and tax evasion are set to tackle the issue.

Closing money laundering loopholes

One major area of uncertainty is the US bipartisan ENABLERS Act, which aims to close the loopholes used to launder money in the US by establishing new authorities for laundering and risks to security. This proposed legislation comes as Secretary of the Treasury Janet Yellen admitted the US is, at present, "the best place in the world to hide and launder ill-gotten gains."

The ENABLERS Act also seeks to extend federal due diligence and transparency requirements for financial institutions to key professional service providers, including investment advisors, trust companies, accountants and law firms. The Act received approval from the US House of Representatives last July, but was voted down by the Senate in December. However, the Act or similar legislation could be resubmitted in another form, perhaps as a standalone bill, later down the line.

Beneficial owners in focus

In the meantime, an enhanced US rule for beneficial ownership reporting is set to take effect from 1 January 2024. Put forward by the US Treasury Department's Financial Crimes Enforcement Network (FinCEN) last September, the rule forms part of the Corporate Transparency Act, a component of the 2020 Anti-Money Laundering Act.

In a statement on the new rule's release, Yellen said the Act will "make it harder for criminals, organised crime rings and other illicit actors to hide their identities and launder their money through financial systems."

The widespread use of dummy accounts to launder money and evade sanctions is upping the ante on beneficial owner screening. The FinCEN rule will require most corporations, limited liability companies and limited partnerships in the US (including foreign companies registered to do business in the US) to report four key pieces of information about each of its beneficial owners. These will be names, birth dates, addresses and a unique identifying number from an acceptable identification document (from the jurisdiction concerned). Once the initial report has been filed, any change to a beneficial owner's information must be declared within 30 days.

The information will be maintained by FinCEN in a national beneficial ownership register. Failure to comply with the reporting requirements may result in penalties of up to $250,000.

A third rule under the Corporate Transparency Act will revise FinCEN's customer due diligence by governing the opening of new accounts by financial institutions. The revision is due to come into force no later than one year after the January 2024 implementation date of the regulations contained in the final rule.

The US changes come as tougher beneficial owner rules have been introduced elsewhere. In August 2022, the UK launched a Register of Overseas Entities rule to tackle the flow of illicit money into the country. The initiative followed an extensive package of AML legislative proposals put forward by the European Commission in 2021. It includes new requirements around nominees and foreign entities and more detailed rules to identify beneficial owners of corporations and other legal entities. At a global level, the Financial Action Task Force has introduced tougher transparency standards around beneficial ownership in an effort to prevent criminals using anonymised corporate structures for money laundering or terrorist financing.

AML weak points

While the rules for key jurisdictions continue to be tightened, curbing the global money laundering threat ultimately depends on financial institutions playing their part.

Capturing and tracking complex, multi-level ownership structures to deliver beneficial owner transparency is an undoubted challenge for the industry. Criminal sophistication certainly complicates institutions' AML and sanctions enforcement tasks.

However, many of the lapses – and the resulting regulatory fines and censures – stem from simple process weaknesses.

Inadequate onboarding procedures that lack proper investor and multi-level beneficial owner screening, risk-based profiles of prospective clients and source of wealth checks are worryingly common. As are deficiencies in ongoing due diligence throughout the customer relationship.

AML and KYC responsibilities don't stop once a client is through the door. Post-onboarding, firms need to undertake periodic client profile and documentation checks and continued screenings.

Monitoring and analysing the millions of customer transactions that flow across institutions' books is vital to spot money laundering risks and to block suspicious activity or behaviours.

This task has been made more difficult by changes to suspicious activity definitions over time and across jurisdictions.

Staff need solutions

Effective employee training can go a long way to strengthen firms' AML defences. Staff need to be aware of what warning signs to watch out for, and know that sensible, robust procedures are in place for them to follow. However, highly-trained employees can't do it alone.

Effective compliance demands real-time visibility and control at every stage of the client and transaction lifecycle.

The volumes of customers and documentation are too great, the criminal networks are too sophisticated, and the cross-jurisdictional regulations that financial institutions must meet are too diverse and exacting to rely solely on manual effort.

In addition, compliance staff costs are soaring. This factor has been exacerbated by a shortage of skilled professionals. Therefore, a growing headcount to tackle problems is not always a viable option. Instead, the future of the compliance function will be data- and technology-driven, according to the most recent Thomson Reuters annual Cost of Compliance report.

This means adopting an automated, systematic, multi-jurisdictional approach that ensures firms can report on any suspicious activity to the appropriate authorities may be a significant trend of the future.

With today's breed of customisable, risk-based AML/KYC technology capabilities, firms can digitalise the onboarding journey and create efficient, accurate, robust and scalable client due diligence processes based on rigorous customer screening, risk profiling, beneficial owner tracking and source of wealth checks.

Automated account reviews and ongoing screening — to monitor any change in status throughout the client lifecycle — can help firms identify, mitigate and manage fraud risk. Real-time suspicious transaction and behaviour identification (and reporting) can spot money laundering risks as they arise, trigger automated alerts for follow-up, and block accounts or transactions when suspicious events occur.

Automating repetitive and mundane activities wherever possible will leave teams free to focus on the red flags that require some degree of human judgement, while helping to prevent potential issues from becoming actual breaches.

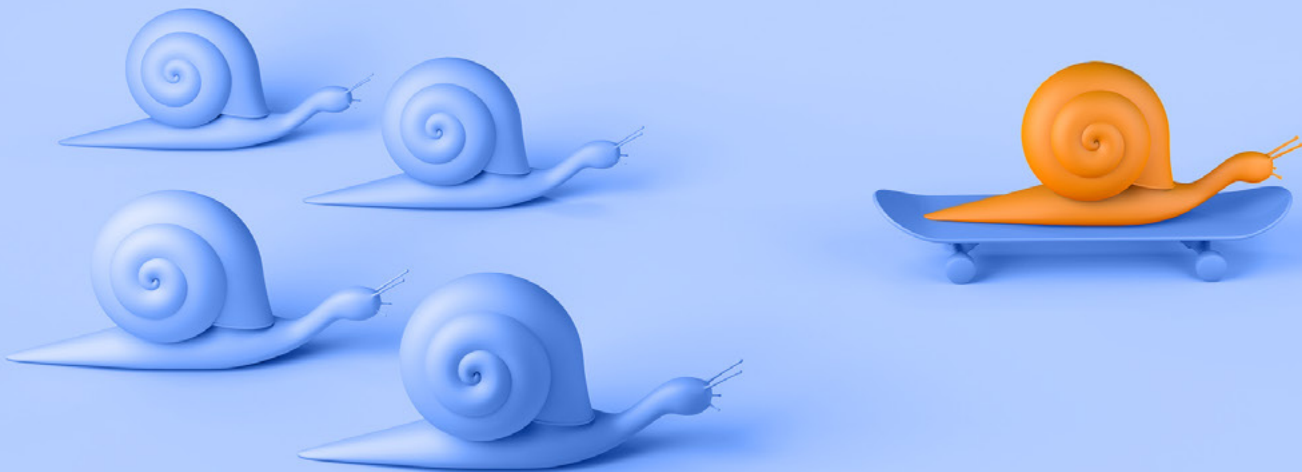
The rising price of AML failures

The financial crime landscape is becoming ever more complex, while the obligations and expectations placed on financial institutions to combat the threats are growing inexorably.

Firms that don't have the AML capabilities to cope will pay a hefty price – not just in headline-worthy penalties but, more importantly, through the reputational damage they suffer. The latter will no doubt lessen their competition edge.

Creating a fit-for-purpose AML/KYC environment entails a certain amount of investment and reengineering of existing practices.

The price of inaction, though, is far greater. ■



Stuart Hartley
Managing director
Qomply

Testing times

Stuart Hartley, managing director of Qomply, talks to Jenna Lomax about why system testing is an industry must, and how automatic regression testing can clear the pathway toward customer satisfaction and regulatory compliance

Regulatory reporting software service Qomply was founded by Stuart Hartley and Michelle Zak in 2019. The company was set up to identify a gap in the market caused by MiFID/MiFID II when the regulation became a challenge for many small- to mid-sized firms. More than four years on, Qomply's software also responds to SFTR, EMIR and ASIC requirements.

The company houses the Qomply ReportAssure Diagnostic Auditor & Reconciler, which audits and reconciles transaction reports, and QomplyDirect, which enables direct reporting to the UK Financial Conduct Authority (FCA), among others.

Qomply's solutions are extensive and there's a lot to talk about, however Hartley, managing director of the company, takes this opportunity to discuss system testing and how it can help clients keep up with compliance.

"The importance of system testing for financial regulations cannot be overstated," he outlines. "As regulations change, it is essential that firms test their systems to ensure that they are compliant with the latest requirements. This can be a complex and challenging task, but it is essential to get it right.

"This may seem obvious, but it is important to have a clear understanding of the regulations that apply to your firm — particularly the specific requirements and the penalties for non-compliance. Once you understand the regulations, you can start to develop a testing strategy."

Having started his career at Salomon Brothers, Hartley worked with investment banks such as Credit Suisse, HSBC and BNP Paribas. He has held roles ranging from software developer and business analyst to project manager and operations manager. In addition, he has particular expertise in the development of integrated control frameworks and trade processing systems across asset classes.

Hartley has built his career in parallel with the increasing digitalisation of the financial services industry, and affirms that one of the most important parts of a modern testing strategy is the inclusion of automation.

"Automation can help to streamline the testing process and improve the efficiency of testing," he says. "There are a number of automated testing tools available that can be used to test for compliance with financial regulations. Qomply's specialist tools, in the field of transaction reporting, can aid regression testing. In addition, new regulations are covered through Qomply's up-to-date rule engines."

Back to the beginning

One regulation not considered 'new' is of course MiFID, which provides a legal framework for securities markets. As aforementioned, Qomply's conception came in response to the challenges that MiFID created for financial services firms of all sizes.

"The regulation placed a significant burden on compliance resources, and many firms simply didn't have the capacity to meet the new requirements," Hartley reflects. "While some changes have since been put forward by the European Commission, such as the simplification of the rules on research unbundling, there are still substantial challenges facing firms."

He adds: "Qomply has seen firms address these challenges by shifting from a reactive to a proactive approach. There has been a greater emphasis on data and analytics to support compliance decisions, and an increase in the use of technology to automate compliance processes. These changes are likely to continue in the future, as regulators seek to ensure that the financial markets are fair, transparent and efficient."

From his extensive tenure in the financial services industry, Hartley has learned that system testing is often seen as a 'necessary evil'. Although it can help to prevent penalties and increase compliance, there is an industry hesitancy to complete it or, in some cases, even start it. The hesitance stems from a multitude of reasons.

"Change aversion can arise from a resistance to modify existing systems and processes due to concerns about disrupting operations or incurring additional costs," Hartley says. "Implementing system testing may require allocating resources, training employees or adopting new technologies.

"Fear of venturing into the unknown is another contributing factor. Testing involves exploring potential issues, identifying vulnerabilities and exposing weaknesses in systems. This can be an uncomfortable process for some companies, as it may reveal flaws or gaps that need to be addressed. There might be concerns about the impact on regulatory compliance."

He adds: "To overcome these perceptions, it is important for companies to understand the benefits of system testing. It can improve the reliability, performance and security of their systems which should lead to enhanced customer satisfaction, regulatory compliance and reduced operational risks."

Automatic regression testing

To open up a pathway toward such customer satisfaction and regulatory compliance, automatic regression testing can assist financial service firms to make updates or enhancements to their systems or models.

"These changes can be technological, driven by regulations or by a system's evolution," explains Hartley. "By running automated tests on the existing system or model after changes are made, firms can identify any regression issues and ensure that the updated system or model still functions as intended."

"Automating regression testing saves time and reduces the need for manual effort, allowing firms to make updates or enhancements more efficiently. It also cuts down on costs associated with manual testing."

Costs related to regulatory compliance and mitigating operational risk are nothing new. As Hartley explains, "financial firms often need to deliver updates or enhancements to their systems or models in a timely manner to remain competitive."

To ensure industry-wide compliance, regulators' calls for firms to update their operational systems grew louder after the 2008 financial crisis. In the current economic climate, this expectation runs side by side with interest rate hikes, exacerbated by the continuing war in Europe.

In addition, with T+1 implementation now less than a year away, robust systems will be needed to help firms manage the transition.

Automatic regression testing enables "quicker testing cycles and faster time to market," affirms Hartley — something that will be particularly helpful in a post T+1 world, no doubt.

"Automatic regression testing allows firms to validate the changes and ensure the overall system integrity without relying solely on manual testing, thereby expediting the release process," he adds.

Never-ending exercise

The road to system implementation can pave over potholes or flatten out speed bumps, but the race to meet compliance can be considered a never-ending exercise. What are the main benefits of reaching the metaphorical finish line and how can Qomply help?

"The financial services industry has strict regulatory requirements," says Hartley. "Qomply provides an up-to-date diagnostic solution that can confirm the changes made against the regulations."

"By thoroughly testing different functionalities and scenarios, system testing helps identify defects, bugs or inconsistencies that can impact the quality of the system. Detecting and addressing issues early in the development lifecycle can save significant costs and time. In addition, companies can avoid paying for expensive fixes later in the reporting process."

Hartley concludes: "Qomply is committed to helping firms navigate industry changes and providing the compliance solutions needed to succeed." ■

Guernsey Finance welcomes Kevin Boscher

The Board of Directors at Guernsey Finance has appointed Kevin Boscher as deputy chairman. Boscher will take up the role alongside his responsibilities as chief investment officer at Ravenscroft, the Guernsey-based investment services group.

Boscher has more than 35 years of industry experience and also holds Chartered Institute for Securities & Investment and Chartered Wealth Manager qualifications.

He will be joined on the board by Guernsey Finance chief executive Rupert Pleasant, current chairman deputy Lyndon Trott, and politician Steve Falla, among others.

Commenting on his new role, Boscher says: "I have worked with Guernsey Finance on a number of occasions and have been impressed with how they represent and promote the industry in a competent and effective way."

Trott adds: "Kevin has had an impressive career in the area of asset management and brings with him extensive, long-term knowledge of the global marketplace." ■

Tim Hogben has stepped down from his role as group executive for securities and payments at the Australian Securities Exchange (ASX).

Hogben began his career at the exchange in 2000 and has since held roles including chief operating officer and chair of the crisis management team.

He was also an executive sponsor of ASX's culture and heritage networking group.

Before he joined the ASX, Hogben served at Bridges Financial Services and the Credit Union Services of Australia.

Commenting on his departure via LinkedIn, Hogben says: "Many people spend years in jobs they don't enjoy. That hasn't been the case for me. When I first stepped through the ASX doors in 2000, I never imagined how much of an outsized role the ASX would play in my life – its history, its reputation and its impact on the capital markets and the lives of many Australians."

Citi has appointed Reto Faber as head of securities services for EMEA, replacing Maria Cantillon.

He will also take on UK senior manager responsibilities for the company's UK legal entities. In the London-based role, Faber is tasked with continuing the division's success in the region and ensuring that a strong risk and control environment is in place.

He will join the EMEA operating committee and will report to David Livingstone, CEO for the EMEA region, and Okan Pekin, global head of securities services. Faber has more than 30 years of experience in the industry, and currently serves as head of custody in EMEA at Citi.

J.P. Morgan promotes Teresa Heitsenrether

J.P. Morgan has promoted Teresa Heitsenrether to chief data and analytics officer. Tim Fitzgerald will take over her previous role as global head of securities services.

In addition to these appointments, the company has combined its markets and securities services divisions. Marc Badrichani and Troy Rohrbaugh will co-lead the unit.

In her upcoming role, Heitsenrether will lead the data and analytics division, a newly-formed organisation focused on the adoption of artificial intelligence across the business.

Heitsenrether has spent more than three decades with J.P. Morgan, serving as managing director and global head of prime brokerage before being appointed global head of securities services in 2015. She has held a number of other senior roles at the company.

Fitzgerald has 20 years of experience in the industry, and has been with J.P. Morgan since 2016. Most recently, he was global head of custody and fund services at the firm. Prior to this, he was global head of Deutsche Bank Fund Services and held roles at both Goldman Sachs and Ernst & Young. ■

Société Générale has named Vincent Mischler as group chief strategy officer and a member of the group management committee, effective 24 August. He will report to Slawomie Krupa, CEO.

In the role, Mischler will work with Société Générale's general management to execute the firm's strategic and financial roadmap, which will be released in September, and support the company's strategic development.

Mischler has more than 25 years of experience in the industry, more than 10 of which have been spent with Citigroup as a managing director. Prior to this, he was a managing director at Rothschild and spent a decade with Lehman Brothers' financial institutions group in New York and London.

Torstone Technology has named Neil Mardon as chief financial officer and a member of the board of directors.

Mardon has more than 20 years of experience in the financial industry and joins Torstone from Scotiabank, where he was a financial services consultant.

Prior to this, he spent close to 13 years with Daiwa Capital Markets Europe, first as chief financial officer and later as chief operating officer. Torstone has seen an uptick in client onboarding and recently appointed Sam Farrell as head of its North American business as it continues to scale.

Commenting on the appointment, Brian Collings, CEO of Torstone, says: "[Mardon's] financial acumen, combined with his deep understanding of our sector, will be instrumental as we continue to expand and strengthen our business. Neil's appointment reasserts our commitment to our clients and our dedication to delivering industry-leading solutions." ■