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MarketAxess Holdings set to acquire Pragma

MarketAxess Holdings has entered into an agreement to acquire Pragma, a quantitative trading technology provider specialising in algorithmic and analytical services in equities, FX and fixed-income. The acquisition is expected to close in Q4 2023.

MarketAxess chose Pragma's algorithmic platform to help it develop execution algorithms and data-driven analytics across all fixed-income products.

Last year, Pragma handled over US$2 trillion of algorithmic order flow in multiple asset classes on behalf of clients across more than 50 venues.

MarketAxess recently announced its first client algorithmic trade executed across multiple protocols in US credit using Adaptive Auto-X, the company's execution solution currently in pilot.

Commenting on the planned acquisition, Chris Concannon, CEO of MarketAxess, comments: "Our acquisition of Pragma underscores MarketAxess' commitment to innovating, integrating and providing our clients with quantitative, AI-powered technology solutions powered by proprietary data designed to simplify and enhance their workflows. In addition to accelerating our leadership in the fixed-income automation and algo space, Pragma's years of expertise with FX algos provides a unique opportunity for FX hedging solutions for our emerging market clients."

David Mechner, Pragma's founder and CEO, says: "MarketAxess' scale and resources will amplify the results we can deliver for clients with the cutting edge technologies we've built – both for our existing clients in equities and FX, and for MarketAxess' large client network as we continue developing new solutions in fixed-income." ■

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Deutsche Börse Group to acquire remaining shares of FundsDLT

Global market infrastructure provider Deutsche Börse Group has confirmed it will acquire the remaining shares of FundsDLT.

The acquisition, made by Deutsche Börse's DB1 Ventures, will complement and strengthen the fund processing and distribution offerings of Deutsche Börse's post-trade infrastructure provider Clearstream.

The integration will drive existing live blockchain-based fund transactions, backed by Clearstream's fund processing platform Vestima.

In March 2020 Deutsche Börse Group joined forces with the Luxembourg Stock Exchange, Credit Suisse Asset Management and Natixis Investment Managers to invest in and further develop FundsDLT. It became the first platform to carry out fund subscriptions on blockchain infrastructure.

FundsDLT has now successfully demonstrated the advantages of a blockchain-based distribution model for investment funds in several locations across Europe and Asia, says Deutsche Börse.

The acquisition of FundsDLT's remaining shares is expected to be completed in the fourth quarter 2023 or the first quarter 2024, subject to regulatory approval.

Philippe Seyll, CEO of Clearstream Fund Centre, says: "The acquisition of FundsDLT is a critical and natural step in our digital strategy.

"It demonstrates our position at the forefront of innovation and will redefine the overall distribution chain of the fund business.

"It enriches distribution capabilities, streamlines operations and brings asset managers closer to retail clients through blockchain. We will see measurable benefits for market participants, including faster time to market and cheaper access to funds."

Olivier Portenseigne, CEO of FundsDLT, comments: "Becoming part of the Deutsche Börse Group is an exciting step for FundsDLT and is timely to accelerate our growth."

In recent weeks, Deutsche Börse's Clearstream Banking AG has also selected Regnology's Rcloud technology for cloud-enabled regulatory reporting.

The platform, powered by Google Cloud Platform, was launched in November 2022 and delivers report submission and reporting data software.

It also offers deployment and infrastructure-as-code services, run and change management automation and self-service via the Regnology Cloud portal.

Regnology's partnership with Google Cloud, which matches 100 per cent of its electricity consumption with renewable energy purchases, also ensures that sustainability is built into the platform.

Regnology services more than 35,000 financial institutions, 70 regulators and tax authorities that rely on its solutions to process their regulatory reporting data.

Regnology was formed in 2021 when BearingPoint RegTech, a former business unit of BearingPoint Group, merged with Vizor Software, a regulatory and supervisory technology firm.

BoE proposes extra powers to restrict payments to CCP shareholders in stress conditions

The Bank of England has proposed an extension of its powers to restrict payments to central counterparty (CCP) shareholders or employees under stress conditions. As part of its responsibility to preserve and strengthen financial stability in the UK, the Bank's additional powers will allow it to restrict or suspend 'discretionary payments' to CCP shareholders or employees in severe circumstances. This will include dividends, share buy-backs, equity remuneration and some other remuneration benefits to senior managers such as bonuses, severance payments and discretionary pension benefits.

These additional powers are detailed under the Financial Services and Markets Act 2023. The Bank has issued a consultation paper which asks for industry comment on the circumstances in which these powers should be applied and its approach for doing so.

Schedule 11 of this Act addresses the application of a special resolution regime for CCPs and steps to ensure continuity of critical clearing services.

These provisions, including the additional powers that will potentially be conferred on the Bank, aim to prevent risk contagion and to limit the need to call on public funds should a CCP fall into financial distress.

The Act was subject to HM Treasury consultation between February and May 2021 and was granted royal assent on 29 June 2023.

Sir John Cunliffe, deputy governor for financial stability, sent a 'Dear CEO' letter to UK financial infrastructure entities in June 2020 emphasising the need to consider additional financial and operational risks arising from COVID-19 when making discretionary payments to shareholders or employees.

This represented a call for CCPs and other infrastructure providers to retain funds — that would otherwise have been paid out as dividends or other discretionary payments — to ensure they have the resources to maintain critical services, to withstand stress and to absorb potential losses.

Suntera Global completes acquisition of Carey

Suntera Global has completed its acquisition of Carey Commercial Limited after passing all required regulatory checks. The Jersey-headquartered asset servicing firm first announced its acquisition of Carey in May of this year.

Carey, based in Guernsey, operates in the fund services and corporate and private wealth fields. The firm will retain its team of 80 specialists under its new parent company.

Through the acquisition, Suntera has added Guernsey as a new tier one fund jurisdiction through Carey's fund administration division. Suntera now offers fund administration, directorship services, listing services, investor services, company secretarial and corporate governance, among other services.

David Hudson, group CEO of Suntera, says: "Together we will continue to build a high-quality business spanning the fund, corporate and private wealth sectors through Guernsey, a strategically important jurisdiction."

AFME gives comment on EBA's latest EU-wide stress test

The European Banking Authority (EBA) has completed the 2023 EU-wide stress test of 70 banks from 16 EU and EEA countries. The EBA said that under the stress test, "European banks remained resilient under an adverse scenario which combined a severe EU and global recession, increased interest rates and higher credit spreads."

According to the Association for Financial Markets in Europe, "this year's stress test showed that the steps that both banks and supervisors had taken to strengthen the resilience of the EU banking sector had paid off". AFME added that it is "willing to collaborate with the EBA to develop the roadmap to 2025 stress tests."

However, the association also said it was "particularly concerned about the severe treatment of capital markets activities in the EBA stress test methodology and scenarios vis-à-vis more traditional commercial and retail banking products. This creates a level playing field issue for banks that serve clients and finance the economy through these activities. AFME looks forward to discussing ways to address this level playing field issue with the EBA."

The exercise was carried out by the EBA in cooperation with the European Central Bank, the European Systemic Risk Board and the European Commission. The aim of the EU-wide stress test is to assess the resilience of EU banks to a common set of adverse economic developments, in order to identify potential risks, inform supervisory decisions and increase market discipline. The exercise is not designed as a pass-fail test but as a supervisory tool.

Caroline Liesegang, head of prudential regulation at AFME, comments: "AFME welcomes the results of this year's EBA stress tests. The results reflect a better starting point for banks, with higher levels of capital, improved asset quality and profitability driving the change compared to the previous stress test.

"Notwithstanding the overall positive outcome, we urge the EBA to take a fresh look at the stress test methodology and remove or at least recalibrate some of the existing constraints that often override banks' bottom-up projections." ■

How to manage regulatory divergence post Brexit

Simon Treacy, senior associate at Linklaters, highlights the challenge of navigating EU and UK financial regulation and discusses how technology can help chart a course to compliance

In financial services, it is important to know the rules of the road. In Europe, these rules proliferated after the 2008 Financial Crisis and were then duplicated when the UK left the EU. Brexit resulted in changes to the law but also to firms' operations.

Many financial services firms now operate both in the EU and the UK, often with business and support functions spread across multiple locations.

As the two rulebooks continue to evolve, the regulatory framework that firms must manage becomes more complex. For legal, compliance and risk teams, keeping on top of divergence is a high priority.

Three main problems arise. Firstly, how to source the current version of the EU and UK rulebooks and visualise the difference between them.

Secondly, how to anticipate future regulatory change and understand its implications. Finally, how to apply the rules consistently across multiple businesses and multi-jurisdictional operations.

Linklaters Law Compare offers a solution to all three. The tool:

- provides a comprehensive view of both the EU and UK MiFID rulebooks — easily navigable via rule maps
- allows the tracking of divergence today, from the past and into the future
- enables the sharing of commentary on specific provisions with teams with insights available from Linklaters lawyers

Navigating the law

A key issue stems from how the UK inherited EU law at the end of the Brexit transition period. Swathes of legislation, which had previously applied automatically when the UK was a Member State, needed to be retained on the UK's statute books.

Financial firms doing business in the UK now need to manage a patchwork of rules spread across multiple sources. These include primary and secondary UK legislation, retained EU law, some technical standards in legislation and other technical standards in the regulators' rulebooks. It also involves regulator-made rules set by EU authorities that have been retained by the UK regulators, plus Financial Conduct Authority (FCA) and Prudential Regulation Authority directions, webpages and other materials.

The picture is complicated further by the changes that have been made to the law since Brexit.

First, the UK tweaked financial services legislation as part of the 'onshoring' of EU law so that it would continue to work in a UK-only context. Now, the UK has started making more substantive policy changes to better tailor the rules to the UK market.

In principle, accessing the latest version of the law should not be difficult. In practice, it is hard to get your hands on several important pieces of UK financial regulation.

Case study

Take the UK's version of MiFIR — this is a vital piece of the regulatory framework for financial markets, but no up-to-date version of UK MiFIR is available online. The National Archives only provides a snapshot of the law as it stood before Brexit took effect, nearly three years ago.

Since Brexit, the UK's MiFIR has been amended by onshoring regulations, the Financial Services Act 2021 and secondary legislation to implement 'quick fix' policy measures. With every step, the UK has moved further away from the pre-Brexit status quo.

To ensure effective compliance with their obligations, firms need to have confidence that they are referring to the latest version of the law and understand the divergence from pre-Brexit standards that has already taken place.

Managing regulatory change

There is still more change to come. In the UK, the Financial Services and Markets Bill 2023 reshapes the future regulatory framework in both the short term and the long term. For example, in the short term, the Bill amends UK MiFIR to implement key outcomes from HM Treasury's Wholesale Markets Review. These amendments include removing the share trading obligation and double volume cap, redefining what qualifies as a systematic internaliser, and allowing the FCA to introduce a simplified transparency regime for fixed income and derivatives.

Meanwhile, the FCA has recently finalised a first set of amendments to post-trade reporting which will start to apply in 2024, with more consultations to follow.

In the longer term, the Bill grants extensive freedom to the UK Government and regulators to reform UK regulation so that the direct obligations on firms exist in the regulators' rulebooks rather than on the statute books.

The EU is not resting on its laurels either. For example, the EU's MiFID Review is currently exploring several important changes, including pre- and post-trade transparency requirements.

Firms need to scan the horizon for future change, engage with upcoming changes in context and understand the impact on their business.

Mapping divergence

The aforementioned changes underline how divergence is an inevitable consequence of Brexit. The regulatory framework for financial services will always evolve in response to market developments.

Regulatory change is also being accelerated by political incentives. Whether this is driven by the principle of strategic autonomy or international competitiveness, both the EU and UK are seeking to leverage regulation to protect and grow their respective financial sectors.

This dynamic divergence between the EU and UK presents a headache for firms subject to both sets of rulebooks. Typically they will need not only to assess the impact of regulatory change within one jurisdiction, but will also have to map it against the other and apply compliance controls consistently across both regions wherever possible.

The devil is in the details. Both the EU and UK have made changes to specific aspects of the transparency requirements under their respective MiFID frameworks. These amendments start to apply at different times, meaning that firms must juggle successive changes to the detail of the respective rulebooks.

Consistent interpretation

As the rules evolve and the rulebooks diverge, many firms struggle to ensure consistent interpretation of specific areas of EU-UK law. The risk is potential divergence of advice across legal teams and businesses, and duplication of effort and cost.

Before Brexit, firms may have had one office acting as their EMEA hub. Today the picture is likely to be more fragmented, with individuals covering multiple offices across different jurisdictions. This increases the importance of having knowledge management processes to help share house views and interpretations across a firm.

Having all the relevant rules and guidance in one place is a good start. Drawing on the same resources mitigates the risk of some individuals using out-of-date versions of the law.

Ideally, a ‘one-stop shop’ for regulation would be interactive to allow users to engage with the source materials. The meanings of defined terms should be easily accessible, and relationships between different parts of the rulebook should be linked. It would be even better to overlay the law with additional notes, commentary and links to further resources to help share know-how with the relevant individuals at the firm.

Your new legal compliance toolkit

The path to regulatory compliance has never been more challenging. Fortunately, a map is available. Linklaters Law Compare is an interactive and collaborative solution that enables you to stay ahead of the rapidly changing regulatory framework.

Providing full coverage of the EU and UK MiFID regimes, a view of the rules is enhanced by legal commentary from Linklaters lawyers.

Subscribers to Linklaters Law Compare benefit from:

- Easy access to a definitive source of law and regulation
- Quick and efficient intra-regime and cross-regime comparison
- Live tracking of EU-UK divergence, including tracked changes and side-by-side perspectives
- The ability to annotate the rulebook and share these views with a team
- Access to additional commentary provided by Linklaters’ subject matter experts
- Powerful and dynamic rule maps, enabling increased efficiently with regulations
- Valuable anticipation of incoming regulatory change
- A critical path to legal compliance, enabling operations across multiple jurisdictions

The regulatory horizon may be uncertain, but Linklaters Law Compare is there to guide you. ■

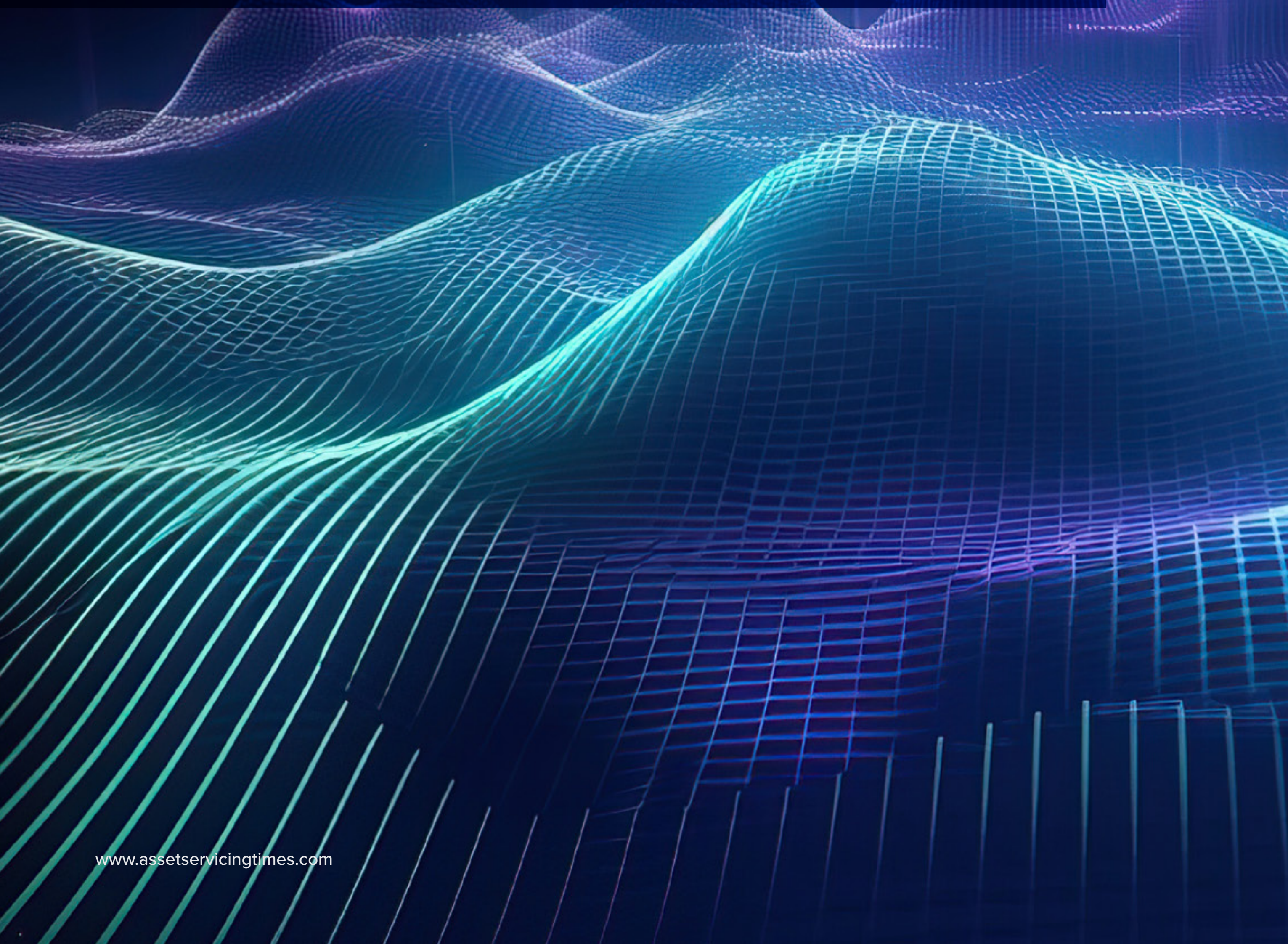
"As the rules evolve and the rulebooks diverge, many firms struggle to ensure consistent interpretation of specific areas of EU-UK law"

Simon Treacy
Senior associate
Linklaters

Risks, rewards and regulation

As a fairly nascent asset class, digital assets face a number of challenges as they grow in popularity. Although much effort has gone into strengthening and legitimising the market, there's still work to be done

Lucy Carter reports



Digital assets have been a mainstay of conference agendas and webinar discussions for some time now, with the constantly evolving field providing plenty of talking points for market participants across the industry.

It can be difficult to keep up with everything going on around digital assets. With an emerging market come emerging risks, prompting, of course, new regulations.

On the brighter side, there's also an increasing number of rewards being reaped from those breaking into the space.

Rewards: use cases and focuses

Digital assets are an emerging asset class that has truly captured the public imagination, with several gaining a reputation outside the financial industry and breaking into the mainstream. Art-based NFTs, for example, and various cryptocurrencies, have become household names; even if someone has no interest in the field, they'll likely have seen celebrity endorsements or overheard conversations about the next 'next big thing'.

Despite their fame (or notoriety), the scope of potential for digital assets is far greater than most people envisage. Even those in the industry are often oblivious to innovative new use cases, partly due to the sheer speed that the field is developing.

> "We're still coming up to speed on how to leverage and serve digital assets because there are so many alternatives that exist"
>
> **Andy Schmidt, CGI**

"The most current use cases at the moment are cryptocurrencies, decentralised finance (DeFi) and non-fungible tokens," explains Andy Schmidt, global lead for banking at CGI. "These are the bright objects of the digital assets realm that are garnering a great deal of attention."

Tokenisation is also a focal point, with Zodia Custody CEO Julian Sawyer predicting that institutions will "expand the use case away from only investing in tokenised assets to developing their own, particularly around private funds and securities as well as public funds." According to Adrien Treccani, founder and CEO of Metaco, up to 10 per cent of financial assets will be tokenised by 2030 — a figure that will only continue to rise from there.

Considering the benefits of security tokenisation, Irfan Ahmad, head of digital asset commercialisation for APAC and MENA at State Street, cites new market settlement solutions, operational efficiencies and enhanced liquidity as major draws for participants. More broadly, he names underlying data transparency, enhanced speed and liquidity, broader distribution and more tailored portfolios as just a handful of the ways that digital assets could improve efficiencies in the financial system. "We see digital assets as one of the most transformational forces affecting our industry in the years to come," he asserts.

In the banking industry, "we're still coming up to speed on how to leverage and serve digital assets because there are so many alternatives that exist," Schmidt says. "The most promising use cases are relatively mundane, and tend to rely on blockchain." These include central bank digital currencies (CBDCs), which have seen considerable interest from central banks across the world in recent years; smart contracts, which can self-execute when the terms of an agreement are met and reduce a firm's paper-based activities; and digital identity, the potential of which is being explored by industries across the board.

Risks: overcome

Although there are still points of concern in the digital asset space, the industry has solved several risk issues over recent years. While a large part of this is down to the creation and updating of regulatory requirements, other initiatives have been developed and implemented to help participants overcome key barriers to entry, technical problems and more.

Although they can be seen as a risk in themselves, Sawyer suggests that "digital assets have great potential to reduce the number of risks across financial services."

He reports that "a significant number of institutions are increasing their exposure to the asset class," something he puts this down to infrastructure development, and the use of over-the-counter trading, digital asset prime brokerage and native custody solutions over complete reliance on exchanges.

"Banks are looking at services that could wrap around [digital assets], like managing the tax implications for their digital currency clients," Schmidt adds. A key service around digital assets is, of course, custody. As Treccani puts it, "it underpins all the business use cases being developed across the industry."

Regulation: present and future

It's well known that a long-standing point of concern in the digital asset sphere has been its lack of regulation. Whether it's around the development, trading or promotion of products, highly volatile markets that offer little or no protection to those participating in them are unlikely to really be taken seriously in the industry, particularly when held up against established asset classes and markets.

"The biggest aspect to unlocking institutional innovation will be the implementation of clear regulation and legislation," Sawyer affirms. This will "allow banks, asset managers and more to build the future of digital assets."

In the UK, the Financial Conduct Authority released rules around marketing digital assets, ensuring that potential clients are aware of the risks associated with cryptocurrencies. "This is a standard test for any other investment type," CGI's Schmidt says, and works to bring digital assets under the same level of control that traditional assets are subject to. So far, "progress has been made by adopting a simple approach," he comments.

"Applying regulations that govern what digital assets most closely resemble and then filling in the gaps as necessary" is an effective strategy, he says, and one that helps regulators towards their goal of market transparency.

Brand new regulation is seen in the Markets in Crypto-Assets Regulation (MiCA), a regulatory framework designed to protect investors, maintain financial stability, facilitate innovation and build trust in crypto-assets. After going live in June 2023, ESMA is currently running a consultation process to determine the successes and challenges of the regulation.

While crypto-assets that are categorised as financial instruments have often operated under existing regulations in the EU, many others have been left out in the cold. In its March 2023 publication, the European Parliament highlights the fact that "at present, there are no rules, other than those in respect of anti-money laundering, for the provision of services related to such unregulated crypto-assets."

> "The biggest aspect to unlocking institutional innovation will be the implementation of clear regulation and legislation"
>
> **Julian Sawyer, Zodia Custody**

In response to this issue, a number of jurisdictions began to implement their own rules and regulations. Yet while this may have resolved some issues in the short term, an absence of overall regulation for the European Union didn't help to increase confidence in crypto-assets. Additionally, operating across borders became increasingly confusing and convoluted.

With MiCA now in place, the EU has a harmonised regulatory framework across jurisdictions — in theory. But there are still some regions that are ahead with their infrastructure development; Switzerland, for example, "has taken a very proactive approach", Treccani reports. By ensuring clarity to the market through regulations, laws and guidelines, "the market can operate in a sound and safe manner". Germany, too, has gone the extra mile, implementing the Electronic Securities Act and building a legal framework for security tokens.

In the US, the Financial Innovations and Technology for the 21st Century Act and the Responsible Financial Innovation Act divide regulatory oversight responsibilities, including consumer protection, legal compliance and required disclosures, between the Commodity Futures Trading Commission and the Securities and Exchange Commission.

Jurisdictions are generally keen to improve the clarity and strength of their digital asset regulations, but in terms of actual implementation, there's still a long way to go. Opinions vary greatly on how regulation should be structured and enforced, and to what degree such digital assets should be overseen. In several regions, there isn't even agreement on how they should be categorised.

Sawyer highlights the importance of firms engaging with regulators in the jurisdictions they enter "to build out the framework that banks and financial institutions need for better, safer custody". Bringing the digital assets sphere under control will require a group effort, with collaboration across the industry required to ensure a system that works to the benefit of all participants.

"Regulation is good for everyone in digital assets," Sawyer explains. "It brings more clearly defined markets and a more robust infrastructure for market participants to operate in." As digital assets have "gone into the mainstream," financial institutions now have dedicated teams to meet client demand, and "regulators are well aware of the role they must play," he adds.

Progress is certainly being made, but is it happening fast enough to keep up with an industry that's always racing to the next thing? Sawyer warns that "protracted discussions without implementation pose a risk of creating a ceiling in the digital asset space," affirming that "even the most innovative and future-gazing institutions can only go so far without a framework of regulation to work within." If regulators don't start to catch up with digital asset technology, the transparent and safe markets that participants are looking for will remain unrealised.

Risks remain

Although progress has been made around the regulation and use of digital assets, "risks have been reduced rather than overcome," Schmidt clarifies. The market is not yet as stable as other asset classes, and the industry continues to grapple with a number of problems that are, as of yet, far from resolved.

There's hope ahead — as Integral's chief strategy officer and head of business development, Sanjay Madgavkar, explains, "If we look at the historic evolution of other asset classes, we have seen that they have dealt with challenges in the past via regulatory and technology solutions". Digital assets just need time to mature, so that they can rectify fragmentation and credit solution difficulties.

Considering where the industry should be placing its focus, the Commodity Futures Trading Commission (CFTC) outlines four broad risk categories in the digital assets space: operational, cybersecurity, market and fraud.

Perhaps the most obvious risk around a number of digital assets is their extreme volatility. Cryptocurrencies are known for their meteoric rises and crashing falls, with many becoming 'dead coins' due to abandonment, scams or a lack of liquidity. These peaks and troughs can be brought about by miniscule events; a prominent investor's passing comment on social media can spark major market movement.

Due to just how new digital assets are, particularly when compared to their established traditional counterparts, the CFTC warns that it can be difficult to predict how they will react to different market conditions. There's no precedent to base predictions on, and a lack of track records means that projections tend to be heavily reliant on speculation.

The CFTC's first entry under its cybersecurity risks header is the bleak affirmation that "most new projects fail". Alongside the broadly covered cases of exchanges like FTX failing, and frequent mentions of a 'crypto winter' throughout 2022, it's no surprise that confidence waned. Exchange insolvency "is a key concern for clients" following this string of events, Zodia's Sawyer reports, and is an issue that the firm is actively targeting by introducing insolvency protection measures and ensuring that client assets are never mixed.

One of the biggest challenges that the digital asset space faces is reputational. The general public are far more aware of failures and fads than innovative use cases, and without further education on what digital assets can actually do, improving existing processes and solving longstanding problems, hesitancy around engagement is likely to continue. “After the recent disruption in the digital assets markets following the FTX collapse, financial institutions are tentative about trading in markets they aren’t familiar with,” confirms Integral’s Madgavkar.

There is change in the air, though: “Public perception of digital assets is beginning to shift,” says Waqar Chaudry, executive director for digital assets, financing and securities services at Standard Chartered. This is down to a combination of increased regulation and the sector’s work to “curb illegal activity”, he explains.

Worries have also been somewhat allayed by institutional investors’ and financial institutions’ engagement with digital assets, according to Rohan Khoja, senior data consultant at Delta Capita, “helping to legitimise the industry and provide greater confidence to retail investors”.

Safety and security

Due to their digital nature, the risk of cyber attacks is a central concern for digital asset issuers, custodians and clients alike. The use of hot and cold storage and wallets is going some way to remedy this issue, but there are pros and cons to every method. Hot wallets allow for easy access but their connection to the internet leaves them vulnerable to cyber attacks. Cold wallets are far more secure, but are more complicated to use and tend to be more expensive. There’s no perfect solution, and the complexities of the storage process can hold investors back from engaging.

There’s been a lot of publicity around digital asset fraud. It’s become so commonplace that it’s often easy to spot—if you’re on Instagram, you’ve either seen someone’s account hacked to promote some crypto scam or you’ve been hacked yourself.

However, others are more complex and sit on a bigger scale. Industry bodies are regularly posting warnings of the latest fraud and scam cases; between increasingly sophisticated attacks and shaky regulation, investor hesitancy persists.

> "Public perception of digital assets is beginning to shift"
>
> **Waqar Chaudry, Standard Chartered**

Next steps

State Street’s Ahmad adds that ensuring interoperability will be key as the digital asset space continues to develop: “This will allow participants to build scalable solutions and have unlimited options for partnerships and collaborations” he says, but warns that “this will require a lot of stars to align”.

“A collaborative effort involving regulators, industry stakeholders, and policymakers is crucial,” says Delta Capita’s Khoja, highlighting market transparency, privacy, data protection and environmental impact as particular areas that the industry should focus on.

Integral’s Madgavkar brings attention back to the technology underpinning the asset class: “Regulation is a central pillar in shaping market infrastructure, but it shouldn’t be thought of as the only tool.” To ensure safety and stability, technology solutions must be broadly adopted alongside regulation, market infrastructure improvements and execution advancements, he says.

As the digital asset sphere continues to develop at speed, firms may feel that the race to innovate and create new products is on — but there can be no race if the track isn’t laid down first. The industry must collaborate to ensure there’s a robust framework in place to support this asset class, and to allow it to make the most of the opportunities that digital assets can bring. ■

A capital matter

Brian Bollen on why capital markets technology needs a rapid update and how this can be achieved

Asset Servicing Times is not the first specialist publication to note that the need to update technology capabilities across the entire spectrum of the capital markets industry has become more compelling than at any time in history.

From the elevated heights of the front office, where bond and equity issues and associated products are initiated and traded, to operations in the back office, the growth of technology, in terms of sheer scale and speed of action, is defining today's asset management industry. Continuing technological change will be a constant.

Firms who do not think appropriately about the need for technological change will inevitably sleepwalk into a world where they will risk losing out on potential new business as they will not be supporting their clients in their investment practices.

In current conversations, several key elements hog the limelight when relating to capital markets technology topics. T+1, AI, industry consolidation, outsourcing, digitisation and fraud are occupying most of the attention.

"We are experiencing a confluence of factors driving significant operational and business changes," says Mack Gill, chief operating officer at Torstone Technology. "The post-trade world in capital markets is largely built on batch processing, based on systems that were developed 30 to 50 years ago."

He adds: "Broadly speaking, the industry has cruised quite happily on this infrastructure, which has remained fit for purpose. However, it will not be fit for purpose in the next 20 to 30 years. The industry must move to real-time intra-day processing, as there is a clear limit to what can be squeezed out of current technology. We must get ready for the next big wave, driven by digital assets, shorter settlement cycles and automation. It is truly global."

Neelesh Prabhu, managing director of architecture and enterprise services at DTCC, hones in on the importance of T+1 when discussing capital markets. He says: "As technology modernises, it is equally important that the industry remains focused on resiliency and stability."

Prabhu, who is also DTCC's chief architect in information technology, adds: "While modern technology infrastructure tends to be designed for agility, it is important that resiliency is baked into the design of modern applications so that they can withstand failure.

This is especially true in a T+1 world, where the shortened timelines will put additional demand on the stability of supporting technology."

According to a Northern Trust industry study of 150 asset managers, conducted in partnership with Coalition Greenwich, 22 per cent plan to implement changes to their operating models to achieve efficiency and cost savings.

The statistics, outlined in the white paper 'The Evolving Asset Management Landscape: Only the Fittest Will Thrive', revealed a gap between the strategic priorities of asset managers and their appetite for structural changes.

Nevertheless, firms will have to meet the scale of future challenges ranging from increased competition and the impact of higher interest rates to regulatory change and technology disruption.

"Asset managers continue to face considerable adversity, and we commissioned this study to understand how the asset management industry is evolving," said Grant Johnsey, head of client solutions, capital markets, Americas at Northern Trust.

"Information from this research can help guide our continued development of outsourced trading, investment operations outsourcing, foreign exchange and other solutions integrating the whole office to support the business environment of tomorrow for asset managers."

The research also indicates that asset managers expect their top internal challenges over the next three years to include performance (59 per cent), talent management (50 per cent) and rising costs (44 per cent).

When asked how they expect to achieve efficiency and cost savings, 63 per cent said they would deploy new technology.

The cloud

One prominent type of technology is of course, the cloud. "The capital markets industry faces a huge amount of disruption over the next several years, largely because of the migration of liquidity to the public cloud," says Matt Barrett, co-founder and CEO of Adaptive Financial Consulting.

"The public cloud has been around for about 15 years, however venues have lagged behind. Most liquidity executes off-cloud, on physical infrastructure that is a brake on innovation and more expensive than the potential alternatives. The billions about to be spent on migration — including investment in exchanges from Google, Microsoft and Amazon — will be the most significant expenditure in capital markets' history and as businesses move to the cloud, the traditional venues and the ecosystem that surrounds them will face enormous disruption."

JTC chief information officer Adam Jeffries comments: "We appreciate the impact of emerging technologies, and we are closely monitoring the advancements in AI and machine learning to leverage data analytics for more accurate market predictions and risk management."

He adds: "We see there will be transformation with the usage of blockchain and distributed ledger technology (DLT) to enhance efficiency, security and transparency in our operations and transactions. We are working with some financial technology vendors to ensure we are well-placed to take advantage of solutions that come to market."

However, what lies ahead in terms of infrastructure and increasing capacity? DTCC's Prabhu says: "The asset servicing post-trade ecosystem has many constituents that are in different stages of technology maturity.

"Some firms have moved to the cloud, and others still operate legacy infrastructure. Some firms still rely on file transfer protocol to exchange data, while others are using APIs and data marketplaces. It is important that firms like DTCC keep this in mind as we develop our modernised technology offerings, building solutions that enable firms at different points in their technology maturity curve."

However a recent report, based on PwC's latest industry projections, and a survey of 250 asset managers and 250 institutional investors, paints the picture of an industry grappling with a set of challenges including digital transformation.

One in six (16 percent) asset and wealth managers globally are expected to be swallowed up or fall by the wayside by 2027, twice the historical rate of turnover, according to PwC's recently published '2023 Global Asset and Wealth Management Survey'. As a result, 73 per cent of asset managers are considering a strategic consolidation with another asset manager in the coming months in order to gain access to new segments, build market share and mitigate risks.

Firms are also turning to technology to transform, with more than 90 per cent of asset managers already using disruptive technological tools including big data, AI and blockchain to enhance investment performance. A direct consequence of these pressures — and the drive to deliver at scale amid cost and competitive pressures — is that by 2027, PwC expects the top 10 largest asset managers to control around half of all mutual fund assets globally, up from 42.5 per cent in 2020.

Olwyn Alexander, PwC global asset and wealth management leader, says: "Existential challenges are sweeping the asset and wealth management industry against a backdrop of social, economic and geopolitical disruption. The choice is simple — adapt to the new context or fail. Firms that effectively leverage technology such as generative AI and robo-advisors, build meaningful inroads to new and existing customers, diversify their recruitment, and deliver exceptional client experiences will be well-positioned to not only survive but thrive."

But is it that easy — shouldn't all facets of capital markets technology be taken case by case? As Rob Cranston, global head of equity products at Liquidnet, says: "Each individual sub-sector of the industry has its own perspectives."

He expresses concern at the lack of innovation relating to the widely discussed drop-off in equity trading volumes across the markets and subsequent lack of liquidity.

"T+1 is obviously a major area of focus for the industry and will have major ramifications from a technology perspective," he says.

"But we should not lose sight of one element that has always been a focus for the buy-side, and that's liquidity discovery. Now more than ever, the industry is looking for ways to address the shortage and we are working to solve this alongside our members. We have been hosting a series of Liquidnet Labs in the APAC region, the EU and the US, focusing on identifying and potentially developing solutions for which there is a clear underlying problem," he says.

Andy Schmidt, Boston-based global lead for banking at CGI, identifies the attainment of T+1 in the US and Canada as the "most urgent for the industry to address," rather than AI.

Commenting on the latter, he says: "Many institutional clients remain sceptical. The deployment of AI in relation to the movement of data is fine, but they are wary of predictive AI in relation to future stock performance."

> "Managers plan to deploy new technology and implement more cost-effective operational approaches, which can be difficult to do in a contracting market"
>
> **Gerard Walsh, Northern Trust**

Five year's time

Bill Prew, group director at JTC says in the immediate future, DLT will be the technology to update capital markets. "A lot of banks and infrastructure providers in the ecosystem are spending a lot of time researching DLT, and it will be fascinating to look back in five year's time and see what impact it has had on the industry." He wonders if it will be as transformational as people say.

In terms of what investors want from the companies in which they invest, DLT is not one of the top near-term priorities. Gerard Walsh, global head of capital markets client solutions at Northern Trust, surmises: "Managers plan to deploy new technology and implement more cost-effective operational approaches, which can be difficult to do in a contracting market.

"In the next phase of the cycle, it seems likely that firms will seek more ways to develop orchestrated ecosystems that support their alpha generation activity. We believe firms that assess their entire value chain of activities will benefit from the recent evolution of traditional outsourcing models into new areas. This will help them deliver their strategic growth priorities."

Northern Trust's aforementioned white paper recommends that asset managers take a "holistic view of efficiency" that includes outsourcing some or all processes, and more deeply integrating the front, middle and back office of the investment organisation.

Stephen Bruel, senior analyst at Coalition Greenwich market structure and technology (and author of the Northern Trust report), says: "While there are many unknowns in the current environment, one item asset managers control is their operating model.

"Rethinking and rebuilding with flexibility, growth and cost in mind can help bridge the gap between where firms currently stand, and where they need to be." ■

Sandra Bur departs Ocorian

Sandra Bur has announced that she is leaving financial services provider Ocorian. She has served as head of capital markets for Luxembourg since June 2021. Bur has more than a decade of experience in the industry, spending more than six years with SANNE before joining Ocorian. She held a number of roles at the firm, including associate director.

Before this, she was a senior corporate officer at Capita Fiduciary and an administrative officer at Orangefield Luxembourg (now part of Vistra).

Commenting on her departure via LinkedIn, Bur says: "It has truly been an honour and a privilege to be heading the capital markets team over the last two years and I will miss my team and my clients tremendously. Thank you to all who have participated in this experience and success." ■

Trading, portfolio and risk management solutions provider TS Imagine has appointed Eric Chen as a member of its APAC sales team. He reports to Fred Villain, head of APAC sales.

Chen has nearly 10 years of experience in the industry, and joins TS Imagine from SS&C Technologies. He spent three years with the company as a sales and strategic account manager in Greater China. Prior to this, he was a regional sales and account manager at FIS.

The announcement follows the recent expansion of TS Imagine's sales teams globally, and the company's continued development of its APAC team. Stephanie Cheung was named as a sales director in the Hong Kong office and Surika Vosloo, OEMS product manager, is relocating to Sydney.

Apex has appointed Qasir Bashir to replace Peter Toyberg as country head of Denmark. Toyberg is due to retire from the role in October.

Based in Copenhagen, Bashir will be responsible for overseeing the delivery of Apex's solutions to Danish clients. Prior to joining Sanne Group in 2021 — before it was acquired by Apex in 2022 — Bashir held senior roles within the Danish alternative investment management industry. He was chief alternative investment risk officer at Danske Bank from 2019 to 2021 and chief consultant at Danske Invest from 2013 to 2017.

Bashir began his career in the financial regulation industry and later held fund operation roles.

Bashir will continue to work alongside Apex's regional management team, including James Burke, regional head of

"I look forward to working together to drive value through best-in-class solutions that enable the securities services industry to improve efficiency, transparency and governance"

Mike Sleightholme joins ISSA board

The International Securities Services Association (ISSA) has appointed Mike Sleightholme to its board of directors. Sleightholme was named president of Broadridge International in July 2023.

At Broadridge, Sleightholme will be responsible for the organisation's trade lifecycle technology, global proxy, asset management data and technology businesses outside of North America. He is based in London.

Sleightholme has more than 35 years of experience in the industry, and has served in a number of senior roles at SS&C Technologies, DTS Systems and Citi.

Commenting on his appointment, Sleightholme says: "I look forward to working together to drive value through best-in-class solutions that enable the securities services industry to improve efficiency, transparency and governance.

"ISSA's work is closely aligned with Broadridge, and we have a shared focus on innovation through leveraging technology solutions to better enable firms to get ahead of today's challenges and drive greater efficiency and effectiveness."

Vicky Kyproglou, chair of ISSA, states: "Mike's diverse experience and global outlook, along with his deep technology and operations expertise and Broadridge's depth and scale, provide a strong perspective in helping further ISSA's mission." ■

Northern Europe, Amanda Ekman, country head of Sweden, and Dominik Becker, regional head of business development for Central and Northern Europe.

Apex's acquisition of Sanne in 2022 added almost 80 employees to Apex's Danish regional team. The group's Danish business now offers a full suite of technology-enabled products and solutions across fund administration, financial and corporate solutions.

Apex Group's Danish clients have access to Apex's global digital banking, depositary, fundraising services as well as ESG ratings and advisory solutions.

Global asset management company Crestbridge has appointed Stacey Moody as a director in its corporate services team.

In this new role, Moody will be responsible for supporting the needs of the firm's global client base. In addition, she will work with senior management to develop Crestbridge's range of services and solutions. The appointment marks Moody's second tenure at Crestbridge. From 2015 to 2016 she worked as a senior administrator at the firm's Jersey location, where her new position is also based. Moody has more than 15 years' experience in financial services. She previously served as senior manager for Intertrust Group, a subsidiary of CSC, and as assistant company secretary at insurance company Chubb.

Ana Kekovska, group head of corporate services at Crestbridge, comments: "Our international proposition for the corporate market continues to evolve in line with the rising demand we are seeing for outsourced expert and specialist secretarial services in what is an increasingly complex landscape." ■