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Lead news story

Metaco to power HSBC's new digital asset custody service

HSBC has announced plans for the release of a new digital assets custody service using Metaco's institutional client platform, Harmonize.

Due to go live in 2024, this new digital custody solution will complement the bank's platform for digital asset issuance, HSBC Orion, and its recent solution that supports tokenised physical gold.

Considered together, these provide a full digital asset solution for HSBC institutional customers, says the Anglo-Asian bank.

Zhu Kuang Lee, chief digital, data and innovation officer for securities services, HSBC, says: "We are seeing increasing demand for custody and fund administration of digital assets from asset managers and asset owners, as this market continues to evolve. Through key partnerships, HSBC is delivering the next-generation custody infrastructure that will be scalable and secure. For asset servicers, there has never been a more important time to innovate, to collaborate and to create change."

Metaco CEO and founder Adrien Treccani comments: "Metaco is excited to be working with HSBC as it continues to explore the applications of DLT in asset creation and custody.

"Custody infrastructure such as Metaco's Harmonize, which integrates with financial institutions' existing systems, will be critical to how issuers and investors interact, as capital markets and assets in general continue to be represented on distributed ledgers."

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EFAMA approves AIFMD and UCITS review decisions

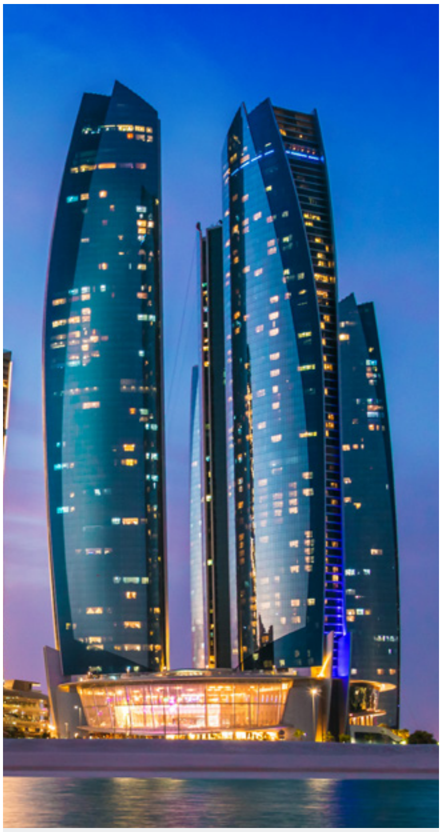
The European Fund and Asset Management Association (EFAMA) has commended the European Commission and co-legislators for maintaining the key elements of both the AIFMD and UCITS frameworks during the regulations' review. EFAMA states that "these frameworks lie at the core of "a well-functioning and resilient funds market", and that leaving the delegation framework under AIFMD and UCITS largely unchanged will benefit investors — particularly in regard to diversification and access to investment opportunities.

Under the frameworks, EU countries must provide asset managers with liquidity management tools within their national legislation. From the selection asset managers must choose at least two, with the decision of when to activate or deactivate the tools left to their discretion. National authorities are able to intervene in the suspension of redemptions and subscriptions only in very limited and specific circumstances, after consultation with the fund manager.

Additionally, under particular circumstances the new AIFMD rules allow the appointment of a depositary in a country different to that of the fund, following a case-by-case assessment by the relevant authority. EFAMA approves this decision, stating that the potential option of a full depositary passport across the EU would weaken investor protection.

However, the association outlines a number of concerns around the rules. New provisions for loan-originating funds are product-specific, an approach that is not well-suited to a manager directive like AIFMD, the association says. Additionally, the inclusion of elements such as retention requirements in the rules could have a negative impact on risk management.

As AIFMD regulates management companies rather than financial products, and as the European Securities Market Authority is currently working on a report on the topic in regard to alternative investment funds and UCITS, EFAMA notes that references to 'undue costs' in the rules are unnecessary. Similarly, the inclusion of 'originate to distribute' strategies ignores the fact that these are already prohibited by the provisions. ■



IQ-EQ launches in Abu Dhabi

IQ-EQ has announced the establishment of its operations in Abu Dhabi, United Arab Emirates (UAE), following the Group's launch in Dubai earlier this year.

The new office is centrally located in Abu Dhabi Global Market (ADGM).

Following receipt of the relevant regulatory approvals, IQ-EQ will be licensed to deliver fund administration services in the ADGM, adding to its existing service. The offering will support UAE clients with their local and international structuring requirements. ■

TS Imagine and Kayenta to partner

Hedge fund treasury management system provider Kayenta has partnered with TS Imagine to grant clients access to multi-asset trading and risk management solution TS One, a platform allowing hedge fund clients to control their financing relationships across portfolios.

Through Kayenta, market, position and prime broker data is extracted and transformed into actionable insights, enabling data-driven decision making and providing a detailed overview of cash and collateral management, liquid and cost control services across portfolios.

This transparency facilitates financing cost and relationship management for treasury management teams. The firm also enables the automation of key data and reporting processes, enhancing operational efficiency.

The partnership follows the October announcement of TS Imagine's collaboration with margin and collateral analytics business Cassini Systems. ■

LarrainVial Asset Management picks J.P. Morgan for custody services

Chilean asset manager LarrainVial Asset Management (LarrainVial AM) has appointed J.P. Morgan to provide its global custody and fund administration services.

The international bank will service LarrainVial AM's fund portfolios in Cayman, Chile and Luxembourg.

Established in 1998, LarrainVial AM is the asset management division of LarrainVial, which has presence in six countries including Chile, Colombia, Mexico, Peru and the US.

Commenting on the mandate, Ladislao Larrain, CEO of LarrainVial, says: "J.P. Morgan's integrated custody and fund administration solution, client-centric service model and commitment to the LatAm region were keys to our final decision to choose J.P. Morgan.

"They have already proven to be a strong, strategic partner and we are confident they will help support our global growth ambitions."

Scott Markowitz, Americas head of custody at J.P. Morgan, adds: "We are proud to begin our partnership with LarrainVial and to support their business objectives as we grow our strong roster of LatAm clients in the custody and fund administration space.

"This mandate reinforces J.P. Morgan's Securities Services differentiated capabilities and highlights our commitment to grow our institutional client base in Chile and the Latin America region." ■

FIA Tech joins trade association ISITC

Futures industry technology provider FIA Tech has joined trade association ISITC. Established in 1991, ISITC brings together asset servicers, broker dealers, asset managers and solution providers to develop and promote standards and best practices which aim to increase operational efficiencies across the securities industry.

Through its member committees and working groups, ISITC connects global financial services experts to reduce capital market risk and increase operational efficiencies.

Owned by a consortium of 11 clearing firms, FIA Tech creates solutions to improve market infrastructure across the listed and cleared derivatives industry.

Commenting on the news, Mark Davis, head of strategy at FIA Tech, says: “We have long admired ISITC’s work in financial markets and are pleased to be joining this important initiative. As a firm our mission is to improve efficiency in the financial markets. Our interests and those of ISITC are closely aligned.” ■

SimCorp and Axioma announce merger

SimCorp has announced a merger with factor risk model, portfolio construction tool and multi-asset class enterprise risk solution provider Axioma.

The announcement follows the acquisition of SimCorp by Deutsche Börse Group in September 2023. Axioma has been part of Qontigo, a Deutsche Börse Group subsidiary, since 2019.

Axioma became a strategic partner of SimCorp in 2021, with its portfolio optimisation and risk analytics capabilities made available to the latter’s investment management platform clients. The joint value proposition has sparked a number of appointments by clients, including Hassana Investment Company, AP3 and AP4.

Currently, SimCorp provides the technology backbone for more than 300 major financial institutions, while more than 380 investment managers use Axioma’s solutions worldwide. Following the merger, SimCorp’s open platform strategy and the Axioma brand will remain available to other risk management and investment management platform providers respectively. ■

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ISS and Strate partner on proxy voting solution

Corporate governance and sustainable investment solutions provider Institutional Shareholder Services (ISS) has partnered with Strate, South Africa's principal central securities depository (CSD) and collateral platform, on a global proxy distribution (GPD) project.

Through the collaboration, global and custodian banks using ISS' GPD outsourced voting solutions will be able to use Strate's central platform for the direct vote processing of South African issuers' shareholder meetings.

Integrating the two organisations' services will improve voting efficiency, corporate governance and transparency for investors, the firms say, streamlining the proxy voting lifecycle.

Rudi Kuntz, head of global proxy distribution at ISS, says: "Our collaboration with Strate enhances our GPD outsourced voting solution for custodians with global and local investor clients seeking to exercise effective investment stewardship in South Africa.

"The new arrangement removes a step in the intermediary chain for vote processing in the local market and provides institutions with extended voting deadlines. This benefits custodians' investor clients by allowing more time for engagement and vote decision-making ahead of company meetings in South Africa."

Gregory Naicker, head of CSD services at Strate, comments: "Collaboration is key for Strate as we integrate with ISS GPD to create further efficiencies for electronic proxy voting within the South African market. This milestone will afford ISS GPD clients with direct market access to vote and to connect with local issuers, thereby enhancing investor stewardship." ■

Alltrust launches white-label platform using Platform One custody and technology

Platform One has partnered with pension provider Alltrust to launch a white-label investment and custody platform in the UK.

Alltrust has launched the initiative to enhance the operational efficiency and service delivery of its platform for both intermediaries and clients.

The platform will provide them with brokerage, custody and pension administration services as well as front- and back-end technology. Businesses can plug into any of the core services to create their own system.

The partnership facilitates Alltrust products, including Simple SIPPs, Full SIPPs as well as family pension trusts and small self-administered schemes. ■

Zodia Custody enters Hong Kong market

Zodia Custody has launched operations in Hong Kong, furthering its goal of increasing digital asset adoption in the industry. Institutions in the region will gain access to Interchange, Zodia Custody's off-exchange settlement solution, which provides enhanced risk management, secure custody and insolvency protection services.

Zodia Custody provides digital asset custody solutions to global institutions, corporations and professional investors. With a bank-backed history, the company engages with the wider financial ecosystem to offer products aligned with current compliance and governance measures.

Julian Sawyer, Zodia Custody CEO, says: "Moving into the Hong Kong market has always been a fundamental part of our strategy. We are committed to not just being an active participant in the digital asset ecosystem across APAC, but to help evolve it. We can't do this if we are not firmly established in Hong Kong, a major global digital asset hub." ■

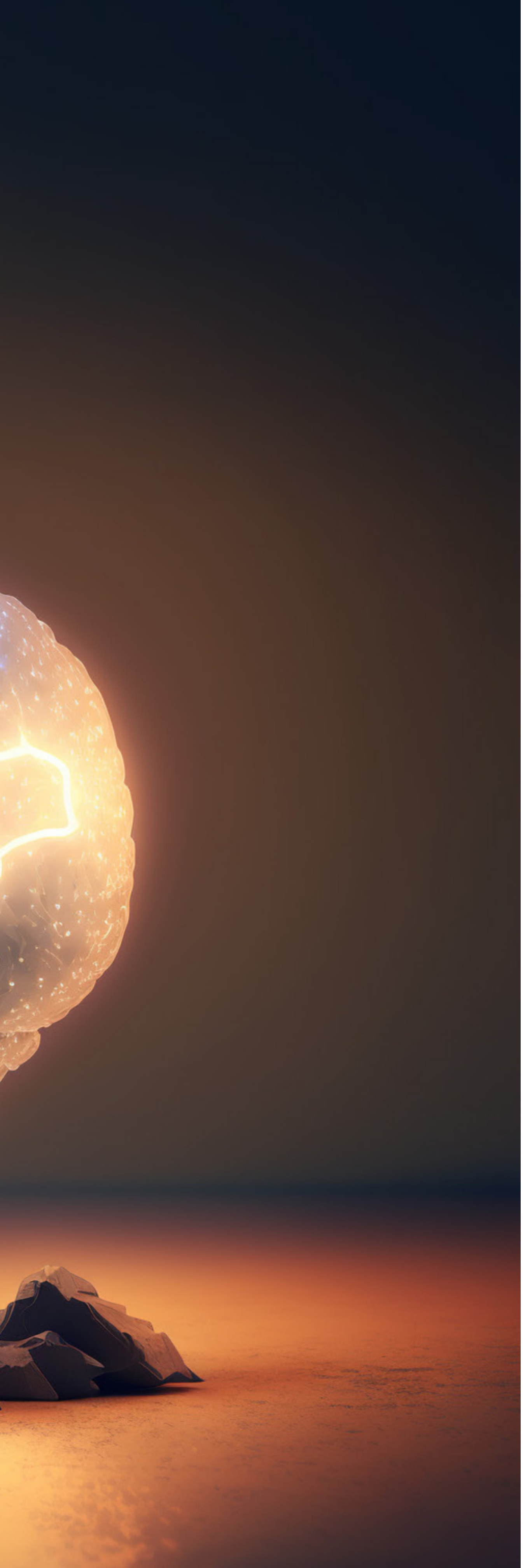
ESMA publishes European share market structure evolution article

The European Securities and Markets Authority (ESMA) has released an article considering the evolution of the European share market structure following the implementation of the markets in financial instruments directive (MiFID). The report follows market structures between 2019 and 2022, placing a particular focus on the impact of Brexit and the UK's "pivotal role" in equity markets. An analysis of the European markets structure over this timeframe reveals significant changes, ESMA says. Primarily, trading volumes decreased in 2021 following the UK's withdrawal from the EU. However, while the number trading infrastructures remains elevated a decrease is noted. ■

The Generation Game

Generative AI is the latest development to get everyone talking. Where could it have the most impact in the industry, and are fears around the new technology justified?

Lucy Carter reports



Artificial intelligence (AI) might bring with it suggestions of anthropomorphised robots, or maybe a sinister Skynet ready to take over our jobs, minds and lives, but it's safe to say that we're not there yet.

Conversation around the technology has amped up over the past year, with companies across the board bringing in new use cases and finding different ways to incorporate AI into their operations. The latest element of AI that has caught the attention of market participants and the general public alike, and sparking both enthusiasm and trepidation, is generative AI (GenAI). Earlier this year, ChatGPT hit headlines worldwide. Despite being launched by OpenAI in 2018, the fourth iteration of the generative pre-trained transformer large language model (LLM) has opened numerous new doors.

Ashmita Gupta, senior vice president and head of analytics at Linedata, affirmed on a panel earlier this year that programmes like ChatGPT and other LLMs could have a "magnificent impact" on the industry. The exact form this impact will take has not yet been determined, and with developments progressing at pace companies are facing a range of opportunities and challenges as they determine how to capitalise on the emerging technology, improve their operations, and bring new innovations to the market.

"With GenAI, we have a new opportunity to interact with technology differently," says Emily Prince, group head of analytics at LSEG. As it continues to develop at pace, tools such as large language models (LLM) have "huge potential to create greater efficiencies and enable customers to do more, faster," she affirms.

What comes next

During a panel discussion at this year's Sibos, Kevin Blair, senior vice president of asset servicing at Northern Trust, broke AI technology down into two broad categories; tools mimicking human actions, and tools mimicking human behaviour. Examples of the former are already widespread, seen in the automation of various operations in asset servicing and beyond. The latter, GenAI, is at an earlier stage of development. This type of AI can learn to detect patterns and act accordingly, operating more complex algorithms.

This next stage of AI will be able to take in pictures, videos and speech as prompts, says Cathy Sui, global head of AI engineering at TS Imagine. "We will see knowledge workers who do not have formal technical training starting to envision and create things

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that, historically, would have been complex and time consuming," she says. An analytics dashboard, for example, could be conjured "simply by drawing a picture or taking a screenshot." She goes on to suggest that bringing more knowledge workers into the technological development side of things will exponentially increase opportunities for innovation.

While traditional machine learning models can be trained and deployed to execute specific tasks, this is a long process, Melanie McGrory, director and EMEA tech and customer solution manager at Amazon Web Services, explained during the company's 'Business Transformed with AI and Data' conference in London. Using foundation models, however, that are pre-trained on large datasets and then 'fine tuned' or customised to suit a particular use case, is a far more efficient process. This approach uses less data to execute, as rather than creating a model for each individual task one big model can be adapted to fit many purposes.

Use cases

Timothée Raymond, head of innovation at Linedata, believes that while GenAI is primarily seen as a decision-making or question-answering tool, it has untapped potential around providing access to existing data. "It can patch a business need by accessing the right data within a specific maze of data models," he says, expediting the document crunching process. LSEG's Prince agrees that the technology's ability to drive enhanced data discoverability, generate insight and create reports, are key strengths.

This type of use case may only cut five minutes from the task, "but we believe that it's the sum of these little things that make the industry more efficient, and help our clients generate more value for their clients," Raymond says.

Tools like Microsoft Copilot are being employed across the industry for this purpose, with small time-saving operations freeing up employees and boosting overall efficiency. Copilot is "an amazing tool" and an "exceptional new feature" for the industry, says Amicorp CEO Kin Lai. By removing the need for repetitive tasks to be completed manually, staff focus can be shifted to value-adding, higher-level tasks. No matter how small a time-saving benefit may seem, over time the impact can be transformative.

Firms are also developing their own programmes in this vein, with SteelEye launching a compliance copilot to accelerate the communication surveillance alert review process. The solution learns from user feedback and will therefore improve over time; a prime example of Kevin Blair's second category of human behaviour-mimicking technology.

Another popular use of copilot-style programmes is in the development of code or test material, accelerating operations, improving efficiency and facilitating differentiated decision making.

GenAI also has huge potential in the customer experience space, providing a highly customised service for each client. "This can be, for example, an automatically personalised view in a banking app, a client message that is tailored to the client's situation and preferred communication style, or a call centre worker whose skills are augmented by GenAI," says Satu Kiiski, consulting director for global banking at CGI.

Furthermore, "huge efficiency and quality improvements can be found when applying GenAI for processes related to compliance, security, and privacy," Kiiski continues, highlighting fraud detection as an area of opportunity for the technology. LSEG's Prince adds that the performance of existing models can be enhanced with GenAI, which can determine key themes and related investor sentiment from operations such as mining earning releases, filings and transcripts.

Misuse cases

While GenAI has the potential to be a major disruptor in the industry — and is already proving itself to be so, in several cases — many have raised concerns that the technology may be starting to be used as a one-size-fits-all solution, whether or not it can offer any actual benefits to users. "Everyone's trying to figure out 'what can I do, what problem can I solve with AI?' And there's a lot of [solutions] out there that just don't make much sense," says Anthony Caiafa, chief technology officer at SS&C.

As well as being seen as the first port of call to fix existing problems, several market participants have expressed worries around GenAI-based replacements being brought in for systems that are already working efficiently, and do not need to be changed. There's a sense that some are attempting to jump on the bandwagon and implement GenAI simply so they can say that they're using it; a tactic that will no doubt have short-term benefits at best. Firms must "define smart use cases and be very explicit with [their] prompts," TS Imagine's Sui affirms.

Fears

While many cry fearmongering, there are numerous genuine, credible concerns about the advent of GenAI in the financial services industry. “Although AI has the potential to drive growth and innovation across numerous sectors, it is true that businesses and policymakers must not neglect their responsibility to protect against current emerging threats caused by the rise of AI technologies,” says Tony Petrov, chief legal officer at verification technology firm Sumsub. An avid supporter of AI, he advocates for strong regulation in the space, urging firms to see the developing frameworks as “an opportunity to shape the future of business in a more controlled way”.

One concern that many have about GenAI is that it will become unexplainable, making decisions and running operations on a logic that its human counterparts and overseers cannot understand. This fear has echoes of the general panic that AI will take over the world and overthrow its creators, but theatrics aside, the importance of explainability is nonetheless an essential consideration for those developing AI programmes. Transparency is key, allowing users to see how the programme’s decision-making process works and why it has arrived on a particular action or recommendation. If a model is unable to explain how its results are produced, “it can be difficult to assign responsibility or liability for the decisions and resulting consequences,” says TS Imagine’s Sui. If an inanimate machine makes a mistake, it can’t be held accountable for its actions — but it’s important to know who should be.

This clarity will also help reduce suspicious or incorrect results, and can allow potential bias to be identified. As AI is human-made, there is an inherent risk that the technology will mimic its creators’ behaviours — both conscious and unconscious — and develop biases, subjectively interpreting data and reducing a programme’s reliability and efficiency. In other fields, the primary manifestation of this could come in the form of racial or gender bias. In asset management, it may appear in the level of risk-taking behaviour or decision-making patterns that a system demonstrates.

“If previous corporate credit pricing decisions are used as reference in making new decisions, the model might become biased towards a specific industry or region,” Kiiskii explains. “It’s crucial to address this challenge right from the start,” using suitable and comprehensive data to train models and ensuring that a human is in place to keep the model in check. At CGI, “we assist our clients in incorporating responsible AI by designing [programmes] with humans in the loop”, she says, with model bias routinely checked and ethics, trustworthiness and robustness built into solutions from the get go.

The data issue

As in all areas of the industry, data is a significant problem in the GenAI space. An oft-repeated phrase in AI circles is ‘garbage in, garbage out’; if a prompt is incorrect, or data is lacking or insufficient, then the results will be unrewarding.

“GenAI is only as good as the quality of data it’s trained on,” LSEG’s Prince says; if the data being fed into a large language model that a GenAI programme learns from is insufficient or unreliable, “the output will not be useful”, Sui confirms. Prince highlights the need for high quality, wide-reaching data in GenAI initiatives, ensuring ‘responsible AI by design’ and the production of reliable results.

“Inaccurate, or incomplete data can introduce risks of bias and misinterpretation,” says Niamh Kingsley, head of product innovation and AI at Delta Capita, “potentially leading to regulatory or security vulnerabilities and unforeseen ‘black swan’ events.” Caiafa advocates for the use of closed datasets in the training of AI models, commenting that “AI itself is just a service; data is the core.”

Kingsley reassures that “significant strides” are being made to address these issues. One approach is ‘red teaming’, whereby researchers identify and exploit a system’s potential vulnerabilities. Google has even turned this into an incentivised programme, rewarding employees who find buys in GenAI programmes.

There are also concerns around data security. Users need to know where data is coming from, and that it is both secure and reliable, says LSEG’s Prince. The firm “aims to deliver the industry’s highest quality data, combined with verified content credentials such as provenance and auditability,” she explains. “This will allow customers to ascertain the origins of their data with confidence, understand associated intellectual property rights and meet their regulatory and compliance standards.”

Looking at security from a different angle, Delta Capita’s Kingsley, references the “potential controversial applications” of generative AI in advanced due diligence — biometric identification and categorisation practices, for example. “We anticipate that the EU Artificial Intelligence Act will classify such practices as either ‘high risk’ or ‘unacceptable risk’,” she says, and will either be banned outright or closely regulated and assessed. However, the majority of banking-applicable GenAI use cases — chatbots, text, image and audio generation — "are likely to be classified as 'limited risk'", meaning they will need to meet transparency obligations but their use will not be so closely interrogated.

Ensuring that a responsible AI framework is in place is essential to keep the industry and its participants safe. Standards and best practices often develop after a technology becomes widespread, but waiting for standards to emerge organically is perhaps a more risky approach when it comes to GenAI, given the security risks associated with it. "It's important to consider all factors relating to data privacy and data protection, both relating to the organisation using the technology but also clients, employees and other parties where personal data is affected," Marie Measures, chief digital and information officer at Apex Group, attests. "Ethics need to be a strong consideration when selecting use cases."

A waste of energy?

Discussing the technology driving GenAI, graphics processing units (GPUs), SS&C's Caiafa reflects on its high energy consumption. "If you're using AI in all of these contexts that aren't actually going to work, you're wasting electricity. We have to be cognisant that when we're building these tools, building these infrastructures, that AI is a blatantly wasteful consumption of energy."

The crypto industry recently came under fire for its excessive environmental costs, but AI is yet to face the same backlash — despite the fact that "the hardware that crypto miners use is no different from the hardware that's needed for GPUs. We say, 'you can't mine crypto', but we use the same compute for AI."

"There's a line that we still have to figure out," Caiafa says, and one that will certainly be the source of many heated debates as time goes on.

Human in the loop

Of course, one of the biggest worries around AI is that its technical skill and business benefits will lead to humans being pushed out of their jobs. This is a reasonable concern — we've been told for years that this will be an inevitability. However, what's often left out of the narrative is the benefits that AI can bring to existing jobs, and the new roles it can create.

In many cases the technology can be used to enhance and assist, simplifying cumbersome tasks. "AI has the potential to turn the average knowledge worker into a superstar," Sui maintains. With TS Imagine already employing AI in its operations, development and data practices, "we plan to enhance our overall productivity by leveraging AI across more functions," she affirms.

New technology always induces fear. Phil LeBrun, enterprise strategist at Amazon Web Services, affirmed during the company's conference that while risk and opportunity are always present, "the technology alone does nothing". AI won't make humans obsolete, he states, addressing perhaps the most widespread concern about the emerging technology. He predicts that work will and must be "reinvented" with the rise of GenAI in order for its benefits to truly be felt.

In fact, maintaining the human component is essential. As everyone hops onto the GenAI train, several market participants have warned of an overreliance on this new technology. "Whilst AI offers immense potential in solving complex problems, it is crucial to remember that it is a tool, and not a complete solution," says Delta Capita's Kingsley. Human oversight is needed for ethical decision-making, working through complex situations and preventing biased results.

"Whilst [GenAI] can support individuals to reduce manual activities in their roles, it cannot replace their knowledge in ensuring the right data is being used to make key decisions," Apex's Measures comments.

Part of changing the attitudes towards and culture around AI involves more effectively educating employees, explaining what AI integration into a business will truly mean for their roles. Rather than losing their jobs, employees will develop new skill sets and take on newly-created roles that are inimitably "human in nature".

These tend to be around critical thinking, imagination and tasks based on a complex understanding of the business, he explains. A culture of continuous learning, and willingness to adapt, is crucial to be implemented into the workplace. AI needs humans, and as companies invest in their technology they must invest equally in their workforce.

"The jobs that we have today are not necessarily the ones we will have tomorrow," McGrory agrees. But, as with the rest of the AI space, this should perhaps be seen more as a source of opportunity rather than trepidation. ■

Expanding services

Euroclear's Vincent Clause talks to Jenna Lomax about the company's new service for private market funds and what it is planning for 2024

A global provider of financial market infrastructure services, Euroclear settles domestic and cross-border securities transactions. Now celebrating 55 years in operation, Euroclear boasts €37.6 trillion assets held in custody for its clients and 1.7 million securities held on its books. In July 2023, the company completed its acquisition of UK-based fintech Goji. The move assisted the build of Euroclear's new service for private market funds. The new service utilises Goji's technology to cover the entire investment lifecycle, from initial commitments and capital calls to asset servicing and distribution. The private market service is integrated into FundSettle, Euroclear's automated order routing service.

As Vincent Clause, global head of funds strategy and business development at Euroclear, explains, the initiative is an essential cog to help the company expand its suite of funds services.

"We are very well connected to custody and wealth managers and have global asset managers already promoting mutual funds onto our platform, so this new solution acts as an extension of our services," Clause affirms. "It is the answer to our clients' needs."

Identifying clients' needs is something Clause has a lot of experience with. He has served at Euroclear since 2005, starting his tenure there as a quantitative analyst. Since then he has been global head of pricing and market research, where, from 2015 to 2018, he was responsible for business performance and financial forecasts. He also served as director of corporate strategy and partnership from 2018 to 2020.

From these roles, Clause knows all too well that "data demands that we offer existing services of mutual funds to the private funds, particularly when it comes to customers as distributors."

Asset servicing

Outlining why data holds the key, Clause explains that the new service for private market funds is an "extension of its custody services, as well as the distribution and data sharing that it already offers across all asset classes." He affirms: "We want to extend that to private funds."

When asked how investors will benefit from the digital solution, and how it will aid asset servicing and distribution capabilities in particular, Clause states that it is important to remember that a lack of standardised automation across the industry remains a hurdle.

He says: "When you take the current status of private funds, as opposed to the other asset classes, they are still highly manual and not automated. The essence of our initiative is automation and digitisation.

"Our paramount angle is to address operational improvements through digitalisation. What we really want to bring is digitisation for the entire investment cycle within a private fund — from the initial commitment to the management of the capital call and the investor onboarding. We are introducing a free digital solution that will ultimately enable scalability in the process. This will reduce the time it takes to access private funds."

Utilising Goji's capabilities

Explaining Goji's role in increasing Euroclear's scalability, Clause asserts. "The company has been instrumental in the development of our services. We have entered this market very fast; Goji has been key to accelerating the successful delivery of our services."

The company's decision to acquire the business has proved a successful one, as Clause explains. Barely four months after the acquisition, "the work is already underway."

"On a white label basis, we can combine Goji's technical capabilities with Euroclear's fund platform," he affirms. "We've already launched the first stage of our project, but we know there is much more to do, and that's precisely where Goji fits into the picture. It is a central part of our strategy in the private markets space."

What the future holds

"Asset managers like platforms such as Euroclear because of our stability and our network. We are connected to more than 2000 distributors worldwide," says Clause, when asked to outline the reasons for Euroclear's international success.

"We are connected to all the major financial institutions across the world, and we look after more than 35 trillion of assets," he continues. "If an international investor wants to be exposed to an international range of investors, Euroclear is the place to be. In terms of our reach, we have a high exposure throughout Europe. We have a presence in Asia and we are rapidly expanding into Latin America. It's all about utilising the distributor network of Euroclear throughout these three key continents."

When asked what the future holds, Clause shares: "Next year, we want to expand our distribution capabilities. By entering into distribution agreements with Euroclear, asset managers can tap into our extensive network and investors can access a wider range of investment strategies.

"At the moment, the aggregation of orders is often conducted on a one-to-one basis which then sets the bar quite high for minimum investment in private market funds. Therefore, we want to further expand our aggregation capabilities to allow banks to reduce the barriers to entry to private funds, by pooling subscriptions from multiple investors."

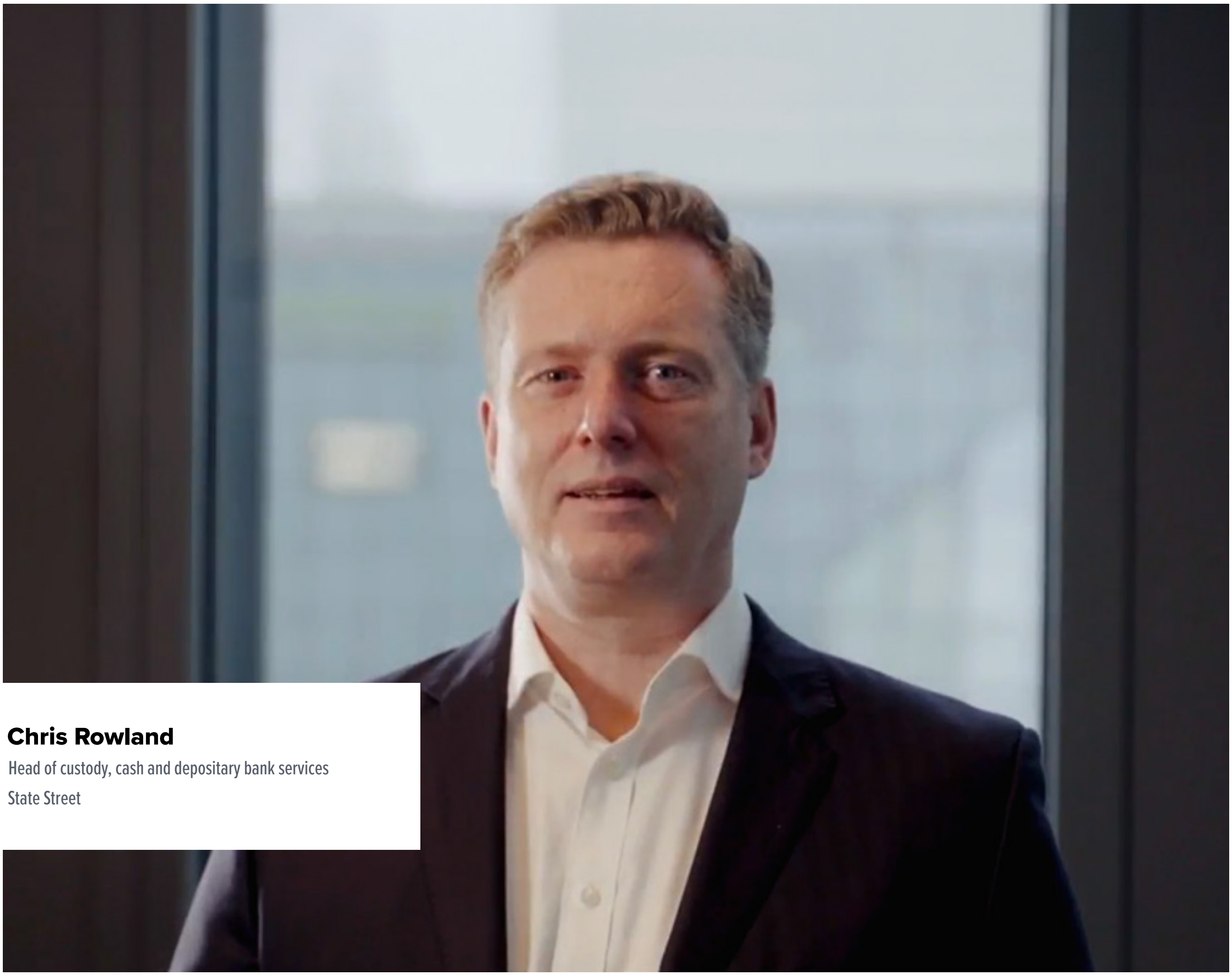
He adds: "Although, today asset managers and distributors can already connect to each other, technically and operationally, we want to create what we refer to as a 'digital marketplace', whereby asset managers will be able to exchange information about the funds that they create in a more transparent way.

On the one hand, this approach empowers asset managers to effectively promote their capital-raising initiatives. On the other, it ensures that all investors are promptly informed about promising investment opportunities relating to private market funds.

Clause concludes: "Euroclear has a key strategic ambition in the global funds space. We have invested, and we will continue to invest, because there is a market demand for our new platform and the features that we are currently building.

"We're actively pushing the boundaries and growing in this market — you'll be hearing more from us in this space." ■

Vincent Clause
Global head of funds strategy and product development
Euroclear



Chris Rowland
Head of custody, cash and depositary bank services
State Street

The road to T+1:
Process efficiencies for Asia Pacific

State Street's Chris Rowland discusses how APAC firms must amend processes to keep up with the US and Canada's move to a T+1 settlement cycle

The investment industry has only a few months to get ready for the transition from a T+2 to a T+1 settlement cycle in the US and Canadian markets. The US Securities and Exchange Commission (SEC) confirmed Tuesday 28 May 2024 — the day after the Memorial Day holiday — as the implementation date. The SEC's final rule provides an extra two months of preparation time from the original draft rule proposal's compliance date of 31 March, although the industry had broadly advocated for a 3 September transition. Meanwhile, the Canadian market confirmed that it will transition on Monday 27 May: a day earlier than the US, since it does not have the benefit of a long weekend.

There are additional Asia Pacific (APAC) region impact considerations for asset managers and owners, which will require their attention if they are to successfully meet the new truncated deadlines under T+1.

Upcoming changes to affirmation cutoff time

The Depository Trust and Clearing Corporation (DTCC) cutoff time for having affirmed institutional transactions automatically introduced into the National Securities Clearing Corporation (NSCC) and Depository Trust Company (DTC) in the T+2 environment is currently 11:30 a.m. ET. For the T+1 settlement cycle, the affirmation cutoff time will change to 9:00 p.m. ET on trade date. Today, under T+2, the affirmation process is usually done by global custodians on behalf of the asset managers or owners in the APAC region, following the receipt of trade instructions. It is a time-consuming process for the custodian to match the received instructions to the broker confirmations. While we will continue to support this model under T+1, it will require asset managers and owners to apply for their own DTCC institutional identification.

In addition, technology exists that can make the affirmation process more-or-less instantaneous (for example, the DTCC's Central Trade Manager and Match to Instruct products). In order to meet the tighter deadlines, asset managers and owners should consider adopting such technologies to perform the affirmation process on behalf of their clients.

Tight deadlines for allocation processes

In order to meet the affirmation deadline, brokers will have to provide allocations significantly earlier, concluding the process within minutes — half an hour maximum — of the trade being executed. In the current trading environment, this process takes hours. Brokers and asset managers in the APAC region should invest in order management technologies to ensure that they have adequate automated systems in place to accommodate the tighter deadline for their allocation processes. This will be an essential element of the trading institutions' due diligence as part of the readiness preparations for T+1.

Automated FX processes

For investors with base currencies different from the US dollar or the Canadian dollar, a timely FX transaction will be needed to ensure settlement of the security trade, purchase equity funding currency or repatriate back to base currency. Though FX can be arranged at any point during the security life cycle, it is conventional to instruct the FX after security affirmation to allow for accurate funding for the underlying security trade. We believe automation of the FX execution process will be paramount in meeting these new shortened deadlines.

APAC investors will generally need to execute the FX by T+1 for same-day value. Considering the same-day value liquidity, investors are encouraged to adopt automated FX instruction and workflow solutions. This connects the FX to the securities trade instruction automatically, so that funding can be executed in a timely manner.

Partnering with external providers

APAC- and EMEA-based investors who rely solely on local trade processing resources should consider if their existing infrastructure can support the new workflows required for trading in US and Canadian securities in a T+1 environment. Identifying and addressing gaps in the process by the cutoff date will be dependent on the resources available internally. Alternatively, investors can look to partner with external providers that are already set up to meet these requirements.

The solutions to the challenges presented by the shift to T+1 are predominantly technological in nature. The existing T+2 scenario enables both investment institutions and their various service providers — brokers, investment managers and custodians — a degree of leeway for performing tasks manually. With the new compressed time frames there will be no room for manual processing. Asset managers and owners need to evaluate their own technology stack and those offered by third-party vendors in order to eliminate the tedious back-and-forth in process flows. ■

Deutsche Bank confirms Bone appointment

Deutsche Bank has confirmed that Nicholas Bone has been appointed to the newly created role of head of sales, UK, Middle East and Africa for Securities Services.

As head of sales, Bone will be responsible for distributing custody, clearing and fund services products across the relevant regions.

The appointment marks Bone's return to the global bank — he previously worked there from 2000 to 2001 in a fixed income and repo operations role.

Bone has strong experience in digital asset servicing and financial technology, having been founder and chief executive of distributed ledger-based fintech startup EquiChain.

He most recently served at Delta Capita where he was responsible for promoting business expansion across the company's post-trade services area, with a focus on client engagement and development.

Before Delta Capita, he was senior vice president for business development for financial institutions at Brown Brothers Harriman.

Prior to this, he was global head of investment banks and broker-dealers in Standard Chartered's transaction banking division.

Earlier in his career, Bone spent seven years in network management at the BNY Mellon.

Commenting on the appointment, Paul Maley, global head of securities services at Deutsche Bank, says: "It speaks highly of our value proposition that we continue to attract such talent and we look forward to using all of Nick's experience to accelerate our growth across the UK, Middle East and Africa regions." ■

State Street makes changes to investment services division

State Street has appointed Ron O'Hanley as president of the investment services business, effective 1 January 2024. He will replace Louis Maiuri, who will retire from the company in early 2024.

Reporting to O'Hanley, Mostapha Tahiri will assume the role of chief operating officer for State Street and Joerg Ambrosius will oversee the business's client-facing activities.

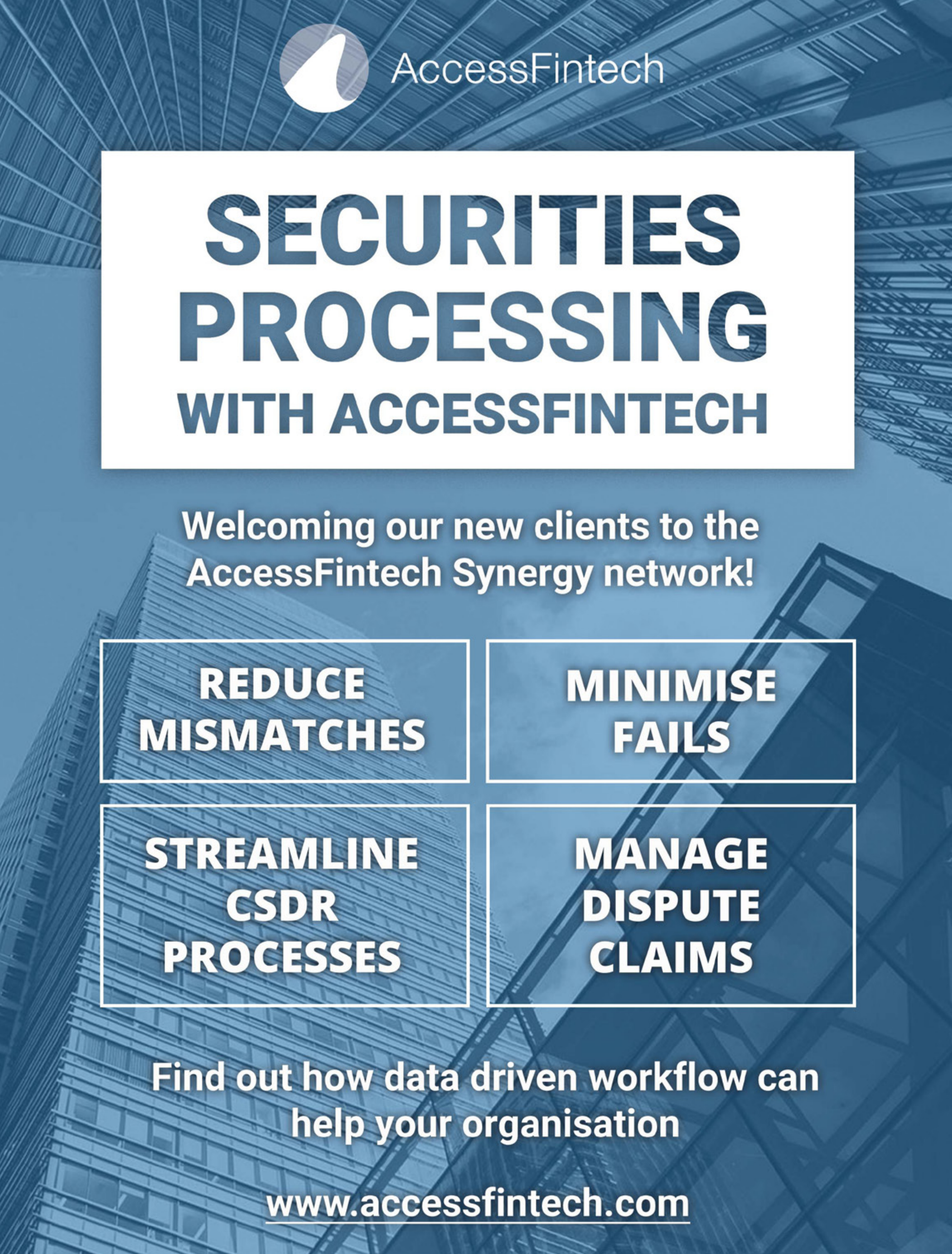
They join Donna Milrod, executive vice president and chief product officer, and John Plansky, executive vice president and head of State Street Alpha, on the investment services division team.

O'Hanley has almost four decades of industry experience, and has been with State Street for more than seven years. Most recently he served as chairman and CEO, before which he held positions as president, chief operating officer and vice chairman.

Earlier in his career, O'Hanley held a number of senior roles at Fidelity Investments and BNY Mellon.

Tahiri has more than 20 years of industry experience, and currently serves as executive vice president and head of APAC, the Middle East and North Africa at State Street. Before joining the firm, he spent 14 years with BNP Paribas Securities Services in several high-level roles.

O'Hanley says: "Lou has expanded the client base for our core foreign exchange and securities finance services and driven innovation in our global markets business. [He] has been central to managing our operational and technology resiliency enhancements, which are critical elements of our service offerings and a focal point for our clients and regulators.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Chunduru becomes NSDL’s representative at ISSA

The International Securities Services Association (ISSA) has welcomed Padmaja Chunduru as the National Securities Depository Limited’s (NSDL’s) representative on its board.

Chunduru brings international knowledge and experience of the securities services industry. In a career spanning more than three decades, with postings in India and USA, Chunduru has gained experience in corporate lending, credit management, retail operations, digital banking and treasury and international operations.

Chunduru has been the managing director and CEO of NSDL since September 2021 after completing a 37-year tenure in the banking industry, with State Bank of India and Indian Bank.

Vicky Kyproglou, board chair at ISSA, states: “[Padmaja’s] knowledge and ability to deliver for the market, be it T+1 or DLT solutions, will help ISSA maintain its relevance and grow the franchise. The ISSA board looks forward to working with her to shape the future of securities services.” ■

“This group of executives will continue to execute and deliver upon our investment services strategy and our financial goals. Together with the other business leaders, I am confident that we continue to have an industry leading team that can achieve our strategic goals and deliver value to our clients and investors.”

Sionic welcomes Dodds as a partner

Sionic, a Davies company, has appointed Richard Dodds as a partner in its asset and wealth management practice.

Based in London, Dodds will be responsible for guiding clients through their technology and data transformation and operational challenges. He will report to managing partner, Ashley Sheen.

Dodds has more than 25 years of operational and change management experience within the industry.

He joins Sionic from State Street, where he was most recently senior vice president. At State Street, he was responsible for new deal revenues and shaped the firm’s asset and wealth management outsourced solutions.

Commenting on the announcement, Sheen says: “[Richard Dodds] is a highly regarded industry leader and his extensive experience will be an invaluable asset to the team and our clients. His hire further reinforces our position as market leaders in the operating model and outsourcing domain.”

Dodds adds: “Having worked on the other side of the table from Sionic on many large deals over the years, I know the team well and respect their industry knowledge, expertise and broad client base.

“I believe my long experience at State Street and my extensive involvement in numerous asset and wealth manager front-to-back outsourcing projects will really help Sionic’s clients find solutions to their operations, data and technology challenges.”

Fulugunya joins Qomply

Qomply has appointed Sophia Fulugunya as director of transaction reporting. She is based in London.

Fulugunya has more than eight years of industry experience and joins Qomply from regulatory consultancy firm Bovill, where she was a capital markets associate.

Prior to this, she spent almost seven years with the Financial Conduct Authority as an enforcement and market oversight division management information coordinator and, later, an associate on the markets reporting team.

Earlier in her career, Fulugunya was an adjudicator at the Financial Ombudsman Service and a business account manager at Barclays.

The appointment follows recent enforcement action from the US Financial Markets Regulators, with three investment firms fined more than US $50 million for reporting failures. Qomply expects to see similar increases in enforcement actions in the UK, with several firms already receiving Section 166 notices that are often seen as a step towards more severe enforcement action. ■

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