

# Managing MiFID

**Qomply's Sophia Fulugunya**  
on the industry's issues with  
MiFID II compliance

## Keeping up with WHT

Industry experts drill into  
Europe's WHT landscape

## Turning the tables

John Kirkpatrick discusses  
asset servicing risk



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### asset servicing times

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published by Black Knight Media Ltd  
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## investRFP.com service available via Clearstream

The request-for-proposal (RFP) solution from investRFP.com is now available through Clearstream Fund Services' Fund Centre platform.

investRFP.com provides RFP services for qualitative fund assessments and asset manager's selection and monitoring.

Together, Clearstream and investRFP.com aim to improve the RFP process for fund distributors and reduce the challenges around conducting assessments of available investment funds within a specific investment strategy.

The platform offers a front-to-back digital solution, and enables fund distributors to conduct structured reviews of asset managers' responses. By streamlining these qualitative assessments, more informed investment decisions can be made in a more efficient manner.

Asset managers using the services will be able to customise qualitative assessments and visualise continuously updated requests,

the companies add, improving efficiency and flexibility.

Bernard Tancre, Clearstream Fund Centre CEO, says: "The availability of the investRFP platform through the Clearstream fund distribution platform marks another significant step in our ambition to offer a fully comprehensive suite of services for fund execution, distribution and data.

"It strengthens Clearstream's position as a hub for financial market efficiency, providing access to complementary partners and services."

Albert Reiter, founder and CEO of e-fundresearch.com Data, comments: "We are thrilled to be a strategic partner to Clearstream, enriching its ecosystem with a fund research and selection tool for clients. This collaboration will support a wider range of decision makers in the allocation of capital into investment funds with a seamless implementation process and global outreach." ■

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## Asset Servicing Risk

Broadridge's John Kirkpatrick addresses risk in asset servicing



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## Tradeweb to acquire r8fin

Tradeweb Markets has entered into a definitive agreement to acquire algorithmic technology provider r8fin in the first quarter of 2024, subject to closing conditions.

The Chicago-based technology firm provides a suite of algorithmic-based tools, as well as a thin-client execution management system (EMS) trading application to facilitate futures and cash trades.

Tradeweb says the acquisition will “modestly enhance revenue growth and operating margins” and be accretive to 2024 earnings per share.

r8fin technology facilitates algorithmic-based execution for an average of more than US\$23 billion notional in US Treasury bonds and 350,000 futures contracts per day.

The firm’s solutions are to complement Tradeweb’s existing Dealerweb Active Streams, Dealerweb Central Limit Order Book (CLOB) and Request-for-Quote

(RFQ) offerings, creating a “broad-based approach” to US Treasuries and futures trading.

Commenting on the acquisition, Tradeweb CEO Billy Hult says: “r8fin technology will help Tradeweb reach a new and differentiated level of intelligent execution through a combination of algorithmic technology and cross-market connectivity.

“This marks another step forward in the execution of our vision to deliver an integrated product suite for accessing the US Treasury market through multiple liquidity pools across cash and futures.”

Hult adds: “As we look ahead, we believe pairing r8fin’s technology with our global network will open up a range of new possibilities for clients engaged in relative value or macro trades spanning multiple asset classes.”

Fehmy will join Tradeweb upon the closing of this acquisition. ■

## Broadridge expands Shareholder Disclosure solution

Fintech firm Broadridge has further expanded its Shareholder Disclosure solution to meet the specific regulatory requirements within the UK, Australia and Hong Kong markets.

Currently live in all three markets, the solution uses next-generation blockchain technology and APIs to support client workflow and connectivity needs. It aims to increase transparency and automation through the digitisation of shareholder disclosures, supporting market intermediaries that are obliged to respond to disclosure requests from issuers under the Shareholder Rights Directive (SRD) II.

Broadridge’s solution will support firms needing to adhere to these regulations — UK Section 793 (Companies Act 2006), Australia Section 672 (Corporations Act 2001) and Hong Kong Section 329 (Securities and Futures Ordinance) — and process their disclosure requests through one centralised platform.

Commenting on the announcement, Demi Derem, general manager of international corporate governance, digital transformation and market innovation at Broadridge, says:

“Financial intermediary shareholder disclosure obligations are not unique to European SRD markets. Our latest service expansion allows financial intermediaries to meet their shareholder disclosure obligations in the UK, Australia and Hong Kong.” ■

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### Droit and KOR partner on regulatory reporting solution

Computational law and regulation-focused technology firm Droit has partnered with reporting services and trade repositories provider KOR to address industry challenges around regulatory change.

The Droit eligibility service, Adept, is available via a single access point on the KOR platform. Decisions made by the solution trigger KOR reporting and product reporting reconciliation management insights, improving transparency and control across processing stages and enabling accurate, timely and compliant reporting.

As the regulatory environment continues to evolve at pace, this collaboration will help clients to get ahead of updates, the companies say. ■



### FinClear picks Eventus' Validus platform for post-trade monitoring

Australia-based provider of trade execution and third-party clearing services FinClear has selected Eventus' Validus platform for trade surveillance and post-trade monitoring.

Texas-headquartered Eventus provides trade surveillance software across all lines of defence. With regulators placing an onus of responsibility on brokers to monitor trading activity and help maintain market integrity, "it is incumbent on FinClear to report suspicious activity to provide accurate data to regulators", the company says.

FinClear is involved in most retail transactions in Australia, clearing and settling AUD 360 billion in transactions annually.

The company hosts more than AUD 145 billion of listed assets on its existing platform and supports more than 570,000 accounts. It services over 250 wholesale intermediaries.

Andrea Marani, CEO of FinClear execution and clearing services, says: "Both of our companies have made a big commitment on this implementation, and this has been much more of a partnership than a vendor-customer relationship.

"Eventus gave us the opportunity to tailor Validus to the specific needs of Australia's equity markets. Since deploying the platform, we've already seen a marked reduction of false-positive alerts, and we're now picking up behaviour that we wouldn't have captured previously." ■



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### GCEX receives operational VASP licence from Dubai's VARA

GC Exchange FZE (GCEX), part of the GCEX Group, has been granted an Operational Virtual Asset Service Provider (VASP) licence for VA Broker Dealer services from Dubai's Virtual Asset Regulatory Authority (VARA).

In Dubai, GCEX aims to start a market operation as a VASP enabling brokers, hedge funds, family offices and professional traders to access its liquidity in digital assets and range of technology solutions. GCEX facilitates back-end and

front-end institutional access to digital assets through its proprietary XplorDigital trading solutions, which cover regulation, regulated custody, the safety of funds, Tier 1 liquidity and technology.

Mehtap Önder, managing director of GCEX in Dubai, comments: "VARA is leading the way in the global digital asset industry, and we are the first firm to gain approval to operate with a client money account, highlighting our focus on client protection." ■

### SIX launches SIX Bot

SIX has launched SIX Bot, an automated software application that aims to improve corporate actions data access. Built on the company's corporate actions data and using infrastructure and technology platform Symphony, the application provides information on more than 70 corporate action events types. Chat capabilities and data integration with Symphony are provided by real-time data sharing platform ipushpull.

Users can submit simple requests to the applications, with a corresponding ISIN code, and receive corporate actions data including the relevant event type, key dates and history. Automating this process and integrating operational tasks into existing team workflows frees up time for teams to engage with more value-added tasks.

The new product follows the September release of SIX's Corporate Action Calendar, which enables the tracking and monitoring of upcoming corporate actions events.

Annelotte De Nanassy, product manager for financial information at SIX, says: "The SIX Bot will optimise the current workflow within corporate actions teams, offering higher operational efficiency." ■

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## BNP Paribas’ Securities Services integrates HSBC’s hedge fund administration business

BNP Paribas’ Securities Services has signed an agreement to integrate HSBC’s hedge fund administration business.

The mandate has been signed in an effort to strengthen BNP Paribas’ offerings for liquid alternatives and hedge fund managers.

The transfer of services from HSBC to BNP Paribas will be offered to 25 global clients and will involve the integration of certain employees within BNP Paribas’ teams.

The agreement covers HSBC’s hedge fund administration business, which will be transferred to BNP Paribas’ entities in several markets including Hong Kong SAR, Singapore, Ireland and Luxembourg.

BNP Paribas’ clients will have access to services such as fund administration, depository, custody,

cash and foreign exchange as well as prime brokerage solutions. The implementation of the agreement is expected to complete by the end of 2024.

Philippe Benoit, head of strategic business development and transformation at BNP Paribas Securities Services, comments:

“The liquid alternatives and hedge funds sector is a focus area for BNP Paribas. We have steadily invested in this field, with a strong emphasis on our integrated and innovative banking solution range across BNP Paribas’ Securities Services and Global Markets business lines.

“The integration of HSBC’s hedge fund administration business is an opportunity to reinforce our position to meet the ever-evolving needs of hedge funds and grow alongside them through sustainable partnerships.” ■



## Standard Chartered picks FundsDLT for transfer agency services

Standard Chartered has selected FundsDLT to help launch its digital transfer agency services.

The partnership looks to enhance Standard Chartered’s service offerings for investment funds and asset managers. The first phase of the initiative will be launched in the Middle East and North Africa.

FundsDLT’s transfer agency software will enable Standard Chartered to offer asset managers further digital capabilities.

By utilising FundsDLT’s capabilities, Standard Chartered will address manual-intensive transfer agency processes and the growth challenges of retail fund distribution. ■

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### SimCorp unveils new investment analytics platform service

SimCorp has introduced a new service for their investment analytics platform, developed to meet the increasing demand for accurate, real-time performance analytics.

The investment management solutions provider announced the cloud-native performance attribution solution as the inaugural offering under their investment analytics platform.

The platform is constructed on an API-first architecture and is a part of SimCorp's open ecosystem.

SimCorp states that the service means portfolio managers can obtain reliable performance metrics even outside of trading hours. They continue to say that the service will offer portfolio managers and client relationship managers quick and flexible views of attribution factors that can enhance decision making. ■

### Costco Wholesale Corporation picks Northern Trust for custody services

Costco Wholesale Corporation has selected Northern Trust to provide its custody, daily valuation and brokerage services for Costco's defined contribution retirement plan.

Headquartered outside of Seattle, Washington, Costco is the world's third-largest retailer.

Its current defined contribution retirement plan holds US\$29 billion in assets.

Costco operates 861 warehouses, including 591 in the US and Puerto Rico as well as e-commerce sites in the US and several other countries. ■

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On Thursday 9 November, Asset Servicing Times (AST) held its third annual Industry Excellence Awards at Plaisterers' Hall, a Livery Hall in the City of London.

The awards recognise the achievements of those across asset servicing, celebrating outstanding contributions to the industry from firms and individuals alike.

The Securities Services Advisory Group (TSSAG) independently assessed entries for the 29 awards categories, ensuring objectivity in the final results.

Former rugby union player Kyran Bracken regaled guests with stories from his time with the England team during the keynote speech before the awards were presented.

AST extends its thanks to Kyran Bracken, TSSAG and all those who attended the event and joined the team in celebrating another year of industry excellence. ■





2023 asset servicing times INDUSTRY EXCELLENCE AWARDS



images by andrew davis photography







**Sophia Fulugunya**  
Director of transaction reporting  
Qomply

# Financial industry struggles with MiFID II compliance

According to Qomply, the financial industry is struggling with MiFID II compliance. The company cites evidence which suggests that 50 per cent of firms are still not compliant. Qomply's newly-appointed Sophia Fulugunya, director of transaction reporting, explains more

There is growing speculation about the onset of MiFID III — a reworked transaction reporting regime adapted from 2018's original incarnation. The financial industry has come to accept that reporting daily transactions has become a stalemate in trading operations. With transaction reporting changes on the horizon, it's no surprise that technology firms are investing in their innovation.

The recent appointment of Sophia Fulugunya as director of transaction reporting for regulatory technology firm Qomply signals a new era of combining regulatory expertise with advanced technology that will mitigate regulatory risks for firms.

Fulugunya's professional background includes a six-year tenure at the UK Financial Conduct Authority (FCA), where she specialised in MiFID II transaction reporting and instrument reference data regimes. During her time at the FCA, Fulugunya played a pivotal role in the markets reporting team (MRT), where she reviewed more than 400 notifications of errors and omissions from a diverse range of firms, including major investment banks and smaller entities. Her responsibilities extended beyond error reviews, encompassing in-depth analysis to ensure the accuracy of transaction reports. She also assisted investment firms with onboarding to the FCA's market data processor (MDP).

As the industry murmurs about MiFID III, a crucial question arises: Do firms truly understand the requirements of the current MiFID regime?

Fulugunya observes: "In preparation for the MiFID II go-live, many firms rushed to simply produce transaction reports and worried about their accuracy later downstream.

Some firms even assumed that an intermediary was conducting accuracy checks and took their hands off the wheel."

As the FCA increased their scrutiny of data quality and contacted firms, many were left with daunting remediation exercises to correct historic mistakes. Almost six years on, firms are discovering issues stemming back to 2018 as they face challenges such as issues with static data, related to unreachable clients. Additionally, approved reporting mechanisms (ARM) may charge punitive fees, costing larger firms upwards of £200,000 just to submit reports, not accounting for other resources spent on error remediation.

"In contrast, firms who kept their eye on the ball and ran adequate testing before go-live, and have since conducted rigorous accuracy and reconciliation tests post MiFID II, are sitting comfortably," affirms Fulugunya.

"Simple maths tells us that proactively reconciling records under the current regime, and establishing appropriate systems and processes to streamline the transition, saves valuable resources that can be redirected to more profitable areas of the business," she adds.

FCA data, released earlier this year, revealed concerning compliance rates with the key regulatory obligation to reconcile. Alarming, in 2022, less than half of UK MiFID investment firms had requested data extracts from the regulator's MDP, indicating a significant lapse in compliance. Market participants have experienced FCA outreach to this effect, leaving smaller firms scrambling for solutions, often filled by technology.

## "Regulations governing trade and transaction reporting are inherently complex and, from my experience, many firms are still grappling to fully comprehend the requirements"

In addition to emphasising the importance of reconciliations, the FCA's MarketWatch 74 publication underscores a concerning trend: fewer than 50 per cent of firms (343) that requested data extracts in the same year have followed through with submitting errors and omissions notifications to the FCA. It is crucial to note that notifying the regulator of errors within a firm's reports is a requirement outlined in the relevant regulatory technical standards (RTS). The challenges lie in the fact that firms often struggle in this area, particularly when trying to determine what constitutes 'material' errors.

While the regulation doesn't explicitly prescribe what qualifies as 'material', industry knowledge indicates that the regulator has proactively engaged with firms on various issues, such as late reporting, inaccurate data (including tags falling outside of the mandated 65 fields), and instances of both underreporting and overreporting.

To navigate this, it's essential to consider if reports need to be cancelled or amended, if changes need to be made to systems or controls, and lastly, if an issue requires escalation to relevant committees.

If the answer to any of these is 'yes', a notification should be promptly submitted once the necessary information is known. This proactive approach ensures that firms fulfil their regulatory obligations and maintain transparency with the regulator, ultimately contributing to a more robust and compliant reporting framework.

If firms have not yet cleaned up their reporting quality, then it's only a matter of time before the regulator comes knocking. "Firms often contact us when they have received a nudge from the FCA's MRT regarding errors and omissions in their transaction reporting," says Fulugunya.

"Thorough reconciliation is key to avoiding unnecessary regulatory attention, preventing the potential uncovering of issues in other areas of the business."

The monitoring of firms, and their data quality, certainly continues with momentum across jurisdictions as regulators take enforcement action related to misreporting. Over the summer, the US financial market regulators imposed fines totalling more than US\$50 million for reporting failures by some key investment firms.

In the UK, there is evidence to suggest that the FCA has issued several Section 166 notices in this space — one of the enforcement tools in the regulator's toolbox that compels firms to engage in external oversight of their regulatory obligations.

Most firms dread receiving a Section 166, as it means not only engaging with formalised external expertise but is also seen as a significant first step towards formalised enforcement action that could lead to fines or a risk to business continuity.

Fulugunya summarises this call for action when she says: "I have had the privilege of observing transaction reporting at various quality levels during my time at the UK regulator and in a specialist consultancy firm.

"Regulations governing trade and transaction reporting are inherently complex and, from my experience, many firms are still grappling to fully comprehend the requirements. This complexity has been heightened by recent reporting changes, such as those stemming from Brexit and the upcoming EMIR Refit. Nevertheless, it's crucial to note that regulators will continue to closely monitor firms' compliance with the current regime and their ability to effectively implement these changes."

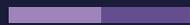
The inevitability of change underscores the need for a sustainable reporting regime with meaningful data points. Firms that have not yet addressed reporting quality should take heed as the regulatory landscape continues to evolve.

As the industry braces for forthcoming changes, firms that take note of these warnings will be better positioned to successfully navigate the evolving transaction reporting landscape. ■

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# A daunting map to follow?

AFME's Pete Tomlinson, director of post trade, assesses the current settlement efficiency landscape in Europe, likening it to London's complicated underground network

The post-trade ecosystem can, in some ways, be likened to the London Underground. If either the tube system or the post-trade system were redesigned from scratch today, neither would look much like their current incarnation. However, it is also true that both of these networks have evolved significantly over time, demonstrating a remarkable ability to continuously adapt and grow — accommodating an increasing number of network participants engaged in an ever-growing volume of 'journeys' (or transactions). Throughout these changes, they have managed to remain open for business, emphasising their resilience and capacity for ongoing development.

The prospect of establishing a completely new network, possibly harnessing emerging technologies like distributed ledger technology (DLT), remains a potential possibility for the future. In the meantime, progress towards facilitating more efficient journeys is likely to remain a case of evolution rather than revolution. Industry participants should continue to focus on realistic, targeted measures to improve the safety and efficiency of the current post-trade ecosystem.

Improving the efficiency of securities settlements has been a topic of significant focus in Europe for several years, attracting the attention of both regulators and industry participants.

An often-mentioned aspect of this discussion is the unique structure of securities markets in Europe.

Firms looking to trade or settle in European markets must navigate a complex ecosystem of different currencies, market infrastructures, local practices and rules, raising significant additional challenges and complexities. Pictorial representations of the European market structure are as daunting to outsiders as the tube map is to London's tourists.

This observation is not intended to serve as an excuse as to why Europe seems to underperform compared to global peers in terms of settlement rates, but rather to highlight that Europe's unique structure may require unique solutions. It is also clear that progress in enhancing settlement efficiency in Europe will require collaborative efforts across the full spectrum of market participants. AFME members — in their various capacities as trading and settlement intermediaries in European markets — recognise their important role in taking forward initiatives to address the underlying causes of settlement fails and other post-trade inefficiencies.

It is widely accepted that the majority of settlement fails are what can be described as 'matched fails', which occur when

both counterparties have submitted their instruction to a central securities depository (CSD) and the details match, but the buyer lacks the necessary cash available, or — more commonly — the seller does not possess sufficient securities available for delivery.

The possible reasons behind this lack of securities are myriad and complex, but certainly should not be interpreted as always resulting from short-selling activity. A lack of securities can also result from inefficiencies in inventory management and securities financing, or the failure to receive those securities from another counterparty through a separate transaction.

Clearly, further progress is required to address 'matched fails' while optimising the flow of available settlement inventory — for instance, through improved availability and through the usage of partial settlement facilities.

However, we should not forget the 'unmatched fails'. Almost all of these fails seem to arise from a preventable inefficiency in the post-trade process. One way to avoid these fails is to focus on the need to strengthen the link between pre-settlement matching processes and CSD-level matching processes. Quite simply, it should not be the case that a mismatch in economic or non-economic data is not identified until after the intended settlement date of the transaction.

A central area of focus for firms, both individually and collectively, should be to conduct further analysis of the drivers behind CSDR debits for late matching fail penalties (LMFPs). These penalties are likely to be a combination of sub-optimal behaviour by counterparties, particularly in terms of the timing and accuracy of information provided, market-wide data quality issues and internal workflow issues. To effectively reduce LMFPs within the current T+2 settlement environment, changes to internal and market-wide pre-settlement matching processes are required.

Considering the potential future transition to a T+1 settlement cycle, progress in addressing this issue becomes increasingly urgent, necessitating a concerted effort by industry participants. Now is not the time to stand still. ■

AFME and Deloitte's recent report, 'Improving the Settlement Efficiency Landscape in Europe', sets out a series of practical and achievable recommendations for addressing the causes of fails and inefficiencies in European securities markets.

**"Quite simply, it should not be the case that a mismatch in economic or noneconomic data is not identified until after the intended settlement date of the transaction"**

**Pete Tomlinson**

Director of post trade  
Association for Financial Markets in Europe



# Keeping up with WHT

Industry experts consider the current state of withholding tax in Europe, discussing what their companies are doing to keep up with changing markets, regulations and technologies

**How do you manage to stay informed about all market and regulatory changes, which are often announced with a tight deadline?**

**Vicky Dean:** This is indeed very challenging, especially given that changes are often discussed for a long time but announced at short notice. We utilise a network of specialists and relationships that we have established over our 30-year history which include accountancy firms and industry publications. We also liaise directly with the tax authorities.

It is incredibly important for us to keep abreast of any changes as our Global Tax Reclamation Solution (GTRS), which is used to calculate the correct rates as well as select and populate the applicable forms, is used by clients worldwide to process their tax reclaims. Therefore, any changes need to be communicated and reflected in the application as soon as possible to ensure clients process reclaims at the correct rate.

**Paulina Placzowska:** No two days are alike for tax authorities. Tax changes occur almost every day, ranging from governments' new legislation and treaty announcements to changes in procedural requirements issued by tax authorities, depositaries or local custodians.

To stay informed about market and regulatory changes, we need to rely on real-time news sources, industry publications, government websites and global custodians. Additionally, we look at automated tools from our tax advisors and services designed to track and report on market and regulatory changes as they occur.

By relying on a variety of sources, we understand not only what is happening, but why it is happening and how it will impact us and our clients. I personally make sure to subscribe to relevant tax news and consult with tax professionals with whom I work on a daily basis. It is important to stay vigilant and proactive in monitoring developments that may impact our business or interests.

**Andrew Mangion:** My peer network of tax professionals is my strongest asset. When there is an announcement, I can always expect a call to discuss ideas, challenges, concerns or opportunities. When combined with diligent and collaborative sub custodians, we can deal with the unexpected in a controlled way.

**Larke Sutton:** Keeping on top of the fast pace of market developments is one of the most critical pieces of my job, as is making timely assessments of those developments that result

"As a fintech, we continually invest in the technology solutions we have available to facilitate and aid foreign withholding tax reclaims"

### Vicky Dean

Chief revenue officer  
Goal Group

Dean joined the Goal Group EMEA team in 2014 within sales and relationship management. Responsible for tax-related services, Dean has since taken on various sales-based and client services roles within the company, including the establishment of the New York office in 2015 and expansion of the business in a new region. Prior to joining Goal, Dean held senior sales roles in financial services, luxury yachting and the world of duty-free, where she worked as an export sales manager.



in driving change initiatives. We have a robust capability that combines the expertise of a global base of subject matter experts that are connected to both a complement of tax information resources, including connections to people and tools used by Big Four accounting and law firms. This enables us both to be up-to-date and informed, but also to employ a process that starts with impact assessment and leads us through communication, developing change requirements and engaging across our business to ensure that implementation initiatives achieve our goals of meeting effective dates.

#### How do you ensure your company's technology can keep up with all the changes?

**Mangion:** One of the most undervalued parts of any regulatory change is tracking the lifecycle from announcement to ratification through to execution. Documenting everyday decisions when converting a complex piece of legislation into processes and procedures for the operations team ensures that compliance can be tracked back to the letter of the law. Housing a robust technology solution that tracks change, documents decisions, and keeps stakeholders informed, is invaluable.

**Dean:** As a fintech, we continually invest in the technology solutions we have available to facilitate and aid foreign withholding tax reclaims. This is true of both GTRS and Treaty Rate Manager (TRM). By utilising the established relationships, we can instantly update our applications to provide the most accurate and up-to-date information in order for clients to process their tax reclaims. We also use these applications in-house for clients who outsource the work to us. In addition, we have a global research team who continually monitor other sources to ensure the correct information is compiled, confirmed and passed on.

**Placzowska:** State Street Global Advisors (GA), like any other large global asset manager, needs to ensure that its technology can keep up with changes to international and domestic tax regulations to best serve our clients, remain compliant, manage operations effectively and avoid potential legal and financial issues while mitigating risk.

The first step is to regularly monitor changes in tax laws related to regulatory compliance and withholding tax that may affect our investments. We also ensure that our portfolio management and accounting systems are integrated with tax technology solutions. This can help automate the identification of tax obligations, withholding tax rates and calculations, reducing the risk of errors.

Another factor is robust data management and reporting capabilities within our systems. The ability to easily generate detailed reports and maintain accurate records is crucial for compliance and reporting to investors and tax authorities. My recent experience in reclaim space shows that global tax authorities implement strategies to elevate scrutiny and meticulousness before making any payments of over-withheld taxes. It is important to be able to quickly respond to these inquiries, and that cannot be done without high-quality and effective technology.

**Sutton:** Being connected across business functions is critical. It is extremely important for us to know our business, and to work with them on an ongoing basis to communicate trends and evolving needs so that we can develop the right strategies and approach to technological developments. The last decade has been transformative in the tax space, with the roll out of automatic exchange of information requirements as well as many US tax initiatives. We expect the pace of change to continue as governments introduce new legislation with the corresponding requirement for even more information to reign in tax abuses. Technology strategy plays a crucial role in responding to these changes.

**How do you think the Faster and Safer Relief of Excess Withholding Taxes (FASTER) directive will impact the industry? Will it require EU member states with existing relief-at-source processes to overhaul their current offering to align with those set out in the proposal?**

**Placzowska:** The EU FASTER proposal has the potential to positively impact the industry as it represents a long-overdue improvement. With nearly a decade of experience in the withholding tax space, I can attest to the challenges we face when trying to recover our investors' over-withheld taxes.

The most significant impact will be felt in EU countries with 'reclaim-only' processes, where investors will experience the most substantial change. The prospect of obtaining immediate tax deductions at source or via quick refund, rather than having to wait a number of years, is something that the industry will eagerly anticipate.

While the FASTER directive aims to streamline the process of obtaining treaty benefits, its implementation will likely require some degree of adjustment for jurisdictions with existing relief-at-source processes.

**"The prospect of obtaining immediate tax deductions at source or via quick refund, rather than having to wait a number of years, is something that the industry will eagerly anticipate"**

### **Paulina Placzowska**

Assistant vice president, global funds management, tax  
State Street Global Advisors

Placzowska is a member of the Tax Center of Excellence within State Street Global Advisors (SSGA) and is responsible for tax compliance and oversight of its global investment products. She is involved in functions ranging from client onboarding and documentation management to compliance with domestic and foreign tax regulations, as well as the review of tax returns and investor tax reporting. Her recent projects include implementing withholding tax efficiency measures and supporting European Court of Justice withholding tax reclaims. Prior to joining SSGA, she held tax-related functions at Brown Brothers Harriman.



**"[FASTER] will establish a digital machine readable EU digital tax residence certificate which will streamline a traditionally manual reclaim process"**

### Andrew Mangion

Head of tax  
Saxo A/S

Mangion has spent a career consulting on regulatory and market change, and has recently held tenures at BNY Mellon and Northern Trust, where he led operational, process and systemic change. He specialises in global tax processing and regulatory change in more than 30 international markets. He is also well versed in 871M and the QI and FACTA regimes. As head of tax at Saxo, he is charged with managing the entire tax product from regulatory horizon scanning through to supporting the offshore tax processing function, and brings with him a wealth of tax experience.



Member states with outdated reporting processes may need to update their systems to ensure compliance with the directive's requirements. The bottom line is that this directive offers a quid pro quo, benefitting both national tax authorities and investors. National tax authorities will gain full visibility into the financial chain, empowering them to combat tax abuse effectively. Investors, on the other hand, will be able to submit their withholding tax refund requests digitally, resulting in a faster and smoother reclamation process. Overall, the framework is expected to make the relief-at-source process more efficient, which should reduce costs for all the parties involved.

**Dean:** For the new directive to be successful, it will be important for all EU member states to ensure they are aligned to support the investment community. This will mean overhauling existing processes to achieve a common objective and standardisation across the board. Whether or not this will be achievable depends on discussions leading up to the proposed launch date of 2027.

It is unclear whether FASTER will be introduced as part of a phased approach, as Germany has done with its new process, or whether the European Commission will adopt a hard launch with a set date, like the US Securities and Exchange Commission is doing with T+1. To simplify this, it would be easier if they abided by one process across the board, which will enable investors and providers to file similarly within the EU.

Less clued-up investors may not understand or be able to achieve the deadlines associated with relief-at-source and quick refund — particularly if long form is removed entirely. In this instance, money will be left on the table.

**Mangion:** It will establish a digital machine readable EU digital tax residence certificate (eTRC) which will streamline a traditionally manual reclaim process. This will reduce cost and errors, while increasing capacity and accuracy. If the request of the eTRC can be made by a qualified firm, then we can get closer to a straight-through process (STP) for tax reclaims. Having a single process for all member states will also reduce complexity for operational teams, mitigating some risk and encouraging a move to quality.

If you look at the Treaty Relief and Compliance Enhancement (TRACE) initiative, the ambition was to have one common process for all members. However, by looking at individual implementations I can see we are potentially looking at many different flavours of TRACE. I envisage something similar happening under FASTER.

**Sutton:** FASTER, if it comes to fruition, would be a fundamental change on how withholding tax relief at source is obtained in 27 countries, rather than the handful of EU countries currently offering relief at source today. To provide this opportunity, however, financial intermediaries would need to enter into contractual arrangements with each of the EU tax authorities and agree to provide validated information up the chain. This may require financial intermediaries to implement extensive changes into their data collection systems and for investors to provide additional information, requiring modifications to their existing processes. As currently drafted, the FASTER proposal appears to require a uniform approach for extending relief at source. However, each of these countries presently have very different administrative and procedural requirements, which lead us to expect that solutioning for a FASTER result may be more complicated than just developing a single approach.

Countries that currently have existing, well-functioning relief at source models, such as France and Ireland, might be reluctant to overhaul processes that are currently very effective. We have asked ourselves why the EU Commission's proposal did not leverage these existing, working systems.

We do, however, see that cross-border investors currently obtaining relief at source in markets with well-functioning relief at source systems may find that such relief now needs to be obtained via reclaims. This increase in reclaim applications could result in additional administrative burdens for countries that successfully administer relief at source today.

**To what extent will Germany's recent modernisation efforts align with the FASTER proposal? How has this huge change impacted the reclaim landscape so far?**

**Dean:** The modernisation in Germany relates to the electronic submission of reclaims which can only be affected by beneficial owners, registered financial institutions or other approved parties, whereas the FASTER directive focuses more on standardisation, reporting and digital certificates. In their current state, the two do not seem wholly aligned.

The changes in Germany have had a huge impact on the industry. Directions on how to file and who is entitled to do so are very unclear and causing uncertainty. There doesn't seem to be adequate support available from the tax authority. For their part, they are being inundated with paper-based reclaims for those trying to get ahead of the changes.

**"Countries that currently have existing, well-functioning relief at source models might be reluctant to overhaul processes that are currently very effective"**

### Larke Sutton

Vice president, global tax services  
Brown Brothers Harriman

Sutton is an experienced tax professional with over 20 years of tax experience. For the last decade she has worked within the Global Tax Services practice of global custodians supporting a variety of European tax developments. She has held roles including senior manager of global tax services at BNY Mellon, senior manager of the US tax desk at KPMG UK, and manager of mergers and acquisitions for tax at KPMG US.



**Placzkowska:** Both Germany's modernisation efforts and the FASTER proposal seek to reduce the administrative burden associated with reclaiming overpaid withholding tax. They aim to create standardised and digital processes for applying for withholding relief and refund, while bringing more transparency and clarity. The adoption of the FASTER proposal by Germany will depend on various factors, including the specific terms of the FASTER directive, Germany's assessment of how it aligns with its existing national laws, and the political will to implement it. In my opinion, the combination of both initiatives, once introduced and applied, will improve existing processes and set a course for other countries to follow.

It is evident that Germany's efforts to modernise its withholding tax process have had a substantial impact on investors worldwide. The Federal Central Tax Office is currently focused on implementing a mass-media interface to facilitate future electronic reclaims submissions, a development that has resulted in noteworthy delays in the disbursement of reclaims. The turnaround for Status Certificates issuance has also increased up to five months, which may impact investors' relief-at-source accessibility.

**Sutton:** Germany's modernisation efforts in the Withholding Tax Relief Modernization Act (Modernization Act) and FASTER both aim to simplify the complexity around withholding tax procedures and combat tax fraud, but the means for achieving these desired results differ. One would have to wonder what appetite, if any, the German Tax Authority has for wanting to introduce FASTER after overhauling its withholding tax regime under the Modernization Act.

Both FASTER and the Modernization Act will require additional detailed reporting, but the templates for reporting are likely not to be consistent. Under the Modernization Act, Germany will require that the reporting constitute evidence of appropriate ownership for reclaim relief. Except for qualifying investment funds, Germany is not a relief at source market, and the Modernization Act did not change this. The premise of FASTER is instead to institute a harmonised mechanism for obtaining relief at source and/or quick refund relief. Based on the Modernization Act, it's unclear if Germany would want to pursue the relief at source and quick refund mandates the FASTER directive sets out.

Despite the fundamental change the Modernization Act brings, beginning with the introduction of the requirement to make all reclaim filings through the electronic portal from July 1 2023, the reclaim landscape in Germany today is uncharted territory.

### **What are the pros and cons of the new proposed FASTER directive? What can be done to prepare for the changes?**

**Placzkowska:** The primary advantage of the EU FASTER Directive is efficiency, efficiency, and more efficiency. It will have a robust impact on various financial institutions, ranging from individual investors to asset managers and large financial intermediaries. Currently, investors are burdened with more than 450 different forms throughout the EU, some of which are only accessible in national languages. These processes are predominantly paper-based, but the introduction of the digital EU certificate may catalyse an exclusive shift toward electronic processes.

Like any legislative or regulatory change, it may have potential drawbacks, including cost and administrative burdens, reporting challenges and the difficulties associated with interpreting individual legal rules.

State Street GA is taking several proactive steps to prepare. Firstly, there is a need for the continuous monitoring of the latest developments in order to stay informed and understand how the new rules will impact our day-to-day operations. Close cooperation with our tax advisors and global custodians will be needed to identify areas that will be affected by the FASTER proposal. We will be assessing the impacts of the changes upon the services that we provide.

**Dean:** There are three main objectives to the FASTER directive, due to be implemented on 1 January 2027; a common EU digital certificate, relief at source and/or quick refund options only and reporting obligations.

All three come with pros and cons. If standardisation can be achieved, then this will make EU reclaims much more efficient and streamlined and make the process easier for those who have investments within several EU member states. However, all 27 member states will need to agree on the process for this to be achieved, and with Germany seeming to have no intention of adopting the FASTER proposal, this already presents a challenge.

Additionally, the increase in liability to be assumed by financial institutions — to ensure adequate due diligence of taxpayer entitlement and correct data — could also discourage filing or cause additional measures to be implemented, which would require further work. As the proposal was only announced this year, there is still a long way to go until implementation. Therefore, we will continue to monitor any developments and act accordingly upon further instruction.

**Sutton:** The stated aims of FASTER are noble: fight tax evasion, provide immediate relief or at least quicker payments to investors, and untangle the complex withholding tax processes in 27 countries. With over 450 forms in place today across the 27 countries, if FASTER can decrease that by 90 percent the process will be simplified for investors in a meaningful way.

We expect that as this proposal may evolve to the development of administrative and procedural guidance, countries will find areas where FASTER can be improved. Potentially the most critical is the lack of a definition around beneficial ownership.

It remains an unsaid but important element for seeking tax relief under FASTER, and without a standard definition you run the risk of having 27 different interpretations resulting in the same investor receiving different treatment in the different markets of investment.

Further, the current thinking that financial intermediaries will need to individually register with each of the 27 EU markets creates a potentially burdensome cost and could result in financial intermediaries making a business decision to not support relief in some of the smaller EU markets.

There is always difficulty in preparing for such a fundamental change without definitive legislation and guidance. The best preparation is being informed about the minimum requirements for obtaining relief at source under FASTER.

### **Does AI have a place in the withholding tax space? If so, how can it be used effectively?**

**Dean:** AI is relevant everywhere and has erupted in recent years. A lot of people are associating AI with mere chatbots. However, in the withholding tax space, generative AI would provide huge benefits.

With AI expanding into machine learning and algorithms while providing learning, developing and designing capabilities, its benefits to the withholding tax space could provide elevated automation and streamlined processes for all steps of the chain, from investors to tax authorities.

Certain AI capabilities could also be implemented if processes are standardised, particularly under directives such as FASTER. Standardisation could reduce costs for development, as costs can be shared among those who can make use of it.

However, given the complexities in tax reclaims and processes, it would be important to maintain human interaction so that niche queries and situations could be resolved at a personal level.

**Placzkowska:** There is room for AI solutions to be implemented in the withholding tax space. From an asset manager's perspective, there is scope for AI-powered solutions to help us efficiently extract and analyse data from various financial documents to identify withholding tax obligations.

Such documents include prospectuses, financial statements, contracts, know-your-customer and other legal documentation.

This approach would reduce the manual effort required for data entry and verification. Additionally, AI algorithms could analyse various information regarding investors or funds and combine it with variables such as the type and source of income, as well as applicable tax treaties to increase the tax efficiency of our products.

**Mangion:** Common application programming and standardised interfaces for all custodians will simplify the process and reduce rejections.

By combining this approach with digital reclaim or relief-at-source forms and e-signatures, I believe we can truly take a step closer to straight-through processing.

**Sutton:** We expect that as countries examine data included in all of these new information reporting regimes, they may be well served to employ new capabilities and evolving data analytics.

AI may be part of the government's future toolkit. However, considering the information included in the dataset (including names, addresses, and taxpayer identifying information), data security should be of utmost concern.

It is conceivable that AI's ability to automate form reading, data manipulation, and form population could find its way into administrative tools used by financial institutions as well.

Developing technology and automation is key to solution response, as costs of compliance are ultimately transformed into increases in fees charged to investors.

We hope that governments recognise the impacts, and act to take industry feedback focused on streamlining into consideration throughout the consultation period. ■

# Turning the tables on asset servicing risk



**With losses and missed opportunities amounting to an estimated US\$1 billion every year, John Kirkpatrick, vice president for securities services at Broadridge, highlights the importance of driving constant advances in automation, asset safety and data standardisation**

Operations professionals would largely agree that asset servicing is the most high risk and manual process in securities operations. For the client servicing products, it is also widely regarded as one of the most important service differentiators. Firms win, lose, or retain client business based on the quality of their asset servicing offering.

Corporate actions, income and tax are highly visible to discerning clients and can easily go wrong — resulting in potentially large financial losses that have sometimes run to millions of dollars.

Given this potential risk, it is surprising that these processes are less automated than most. Even with years of automation and additional controls, there are still corporate actions losses that make the headlines.

As a result, this is an area that receives a lot of focus. Industry groups regularly discuss ways to harmonise processes and reduce risk, but with the sheer variety of events that are often complex, there are still many challenges to finding a truly automated process that is both competitive and safe.

### Announcement capture

A much discussed, but still unresolved, solution lies in fixing the issue right at the start of the process. That is the event creation — when the event is first announced by the issuer. It is critically important for the financial intermediary to be certain that all the details of the event are correct before sending these to their clients. This involves gathering details from multiple sources, scrubbing the data to identify any conflicts, then fixing the conflicts before creating a 'golden copy'. The process is costly, prone to error and adds delay to the end client receiving the information.

The key to change globally lies in harmonisation and standardisation of the data that is being sourced from the issuers and the issuer agents, from the start of the investment chain. Standardisation of this data will facilitate automation and will enhance interoperability. Digital information generated at source removes the need for any additional sources and therefore any event scrubbing. This can be described as 'issuer to investor, digitised at source' and would be a true fix-all solution.

The good news is that parts of the industry are making progress towards this solution. Two good examples of digitisation at source are ASX in Australia and SIX in Switzerland. In these markets, issuers and issuer agents are mandated to publish event information in an agreed and machine-readable format to the market infrastructure. This approach is also being advocated by industry bodies and infrastructure providers — for example, the International Securities Services Association (ISSA) in its recently published corporate action data-sourcing white paper, SIFMA's US corporate actions standardisation position paper, and the recent proof of concept (PoC) from Broadridge and the Depository Trust & Clearing Corporation (DTCC), announced in January 2022, that sources corporate actions announcements from issuers and agents. This traction needs to be sustained, with the same approach being applied globally, thereby delivering significant benefit to investors and reducing costs for intermediaries.

Despite this progress, firms should not be waiting for the issuers, CSDs and exchanges to provide the final answer. Firms should be asking themselves, 'How many times do I pay for/receive/scrub/fix data across all the lines of business in my organisation?' Those lines of business include prime, equities, custody, funds services, broker-dealer services, wealth and retail. If the answer is more than once, there is a great opportunity to reduce cost and risk, while also improving client service.

The delivery of asset servicing will differ according to the line of business providing the service. For instance, in investment bank (IB) equities, the service is relational and mostly about managing the inventory. Where am I long? Which desk is short? Where do I have open borrows or open loans? Who do I need to hold liable? Who will be holding me liable? Which positions are 'borrow to hold'? Where are there opportunities for arbitrage?

For custody, however, the flow is hierarchical and about providing timely and accurate service to institutional clients — information flows from issuer to central securities depository (CSD) to direct custodian to global custodian and then to the investor.

However, the true commodity in the whole flow is the event. This does not change, regardless of the line of business. The terms, dates, rates etc are consistent.

As such, there should only be one 'golden copy' event for any organisation. The client reply deadline for voluntary events will vary according to the client and their value to the firm, but that can be managed at a line of business level.

Everything else remains the same. Therefore, implementing a single announcement utility within an organisation will reduce cost and provide an improved and more timely service to clients.

### Downstream processing

After the event has been sourced and passed to the downstream platforms, there is more divergence across the various business lines. There are significant variances in processing between the lines of business.

Because of these differences, most firms will have separate technology solutions for their various businesses. However, this should not discount the possibility of moving to a single, strategic solution.

A modern asset servicing solution will be built on a modular basis, the core components being event creation, eligibility, entitlements, voluntary response tracking, payments and claims. These core components are suitable for all of the various lines of business.

The fundamental differences can be catered for by the development or configuration of workflow tools and dashboards that are separate and bespoke to any given business.

As an example, an IB dashboard would highlight where a desk is short and needs to cover; a custody dashboard would highlight where a client has elected 'out of the money'.

In summary, common core components providing accurate and real-time data, via middleware and APIs to business specific workflow tools and dashboards, are a powerful solution.

## Claims

Claims management remains a consistently challenging part of the overall process. A trade failing over record date for a dividend will result in a claim. As settlement cycles shorten, the number of claims will increase.

Most intermediaries are carrying a significant number and value of open payables and receivables due to unsettled claims.

These balances can at times run to tens of millions of dollars and this can lead to considerable financial and regulatory exposure.

Despite the risk and manual burden of open claims, there has been little progress in implementing effective solutions to manage them. This is perhaps understandable as organisations

are more focused on managing events and voluntary responses. However, with collaboration, and some effort, there are opportunities to disrupt and modernise.

All claims are a result of bilaterally agreed trades. All the data regarding the security, dates, status and settlement is available. If both parties to the trade use the same solution to manage and settle the claim, then the whole process can be automated. Solutions are available, but there needs to be a lot more take-up across the industry for them to make a real difference.

## Conclusion

There is no doubt that asset servicing is a critical and high-risk part of the securities industry. Some processes, such as event creation and claims, can be improved without dependency on new regulation or changes to issuer behaviour, but this will require investment in technology and some collaboration among the firms involved.

With losses and missed opportunities amounting to an estimated US\$1 billion every year, this is an area deserving of greater focus and a drive for improvement. ■

**"Claims management remains a consistently challenging part of the overall process. As settlement cycles shorten, the number of claims will increase"**

**John Kirkpatrick**

Vice president for securities services  
Broadridge



"Deutsche Bank's connection to the UK and Ireland is longstanding and deep"



### Vathany Vijayaratra named UKI CEO at Deutsche Bank

Deutsche Bank has appointed Vathany Vijayaratra as CEO of its UK and Ireland (UKI) business.

In the role, Vijayaratra will oversee all divisions of the bank and develop its franchise in the region. She will report to Fabrizio Campelli, the management board member responsible for the firm's corporate and investment bank and UKI operations.

Vijayaratra has more than two decades of industry experience, all of which has been spent with Deutsche Bank. She was appointed global head of fixed income and currencies structuring, in 2018, before becoming head of non-financial risk for the investment bank in 2022.

Commenting on her appointment, Vijayaratra says: "Deutsche Bank's connection to the UK and Ireland is longstanding and deep, built over 150 years of serving our clients in

the region. I look forward to working with our team to deliver on the opportunities for growth in the region and support our clients' needs."

Campelli adds: "Vathany has demonstrated all the skills required to take our franchise forward: a deep understanding of the bank and its capabilities, strong knowledge of non-financial risk management and 20 years' experience of working with clients around the world across a range of asset classes. Throughout her long career with Deutsche Bank, Vathany has proven herself a strong and effective leader.

"We see significant opportunities to grow our business further [in the region], and that's why we are investing in the UKI through our recent acquisition of Numis and the development of our expanded new London headquarters, as well as our investment in technology and people." ■

### Northern Trust appoints Mikkel Mördrup as head of sales for the Nordics

Northern Trust has appointed Mikkel Mördrup as head of sales, Nordics. Based in Stockholm, Mördrup will lead the business development and growth strategy in the Nordic region.

He will also be responsible for maintaining Northern Trust's position in the market.

Mördrup has more than 25 years of experience within the Nordic financial services industry and product development.

He joins Northern Trust from ISEC where he was group CEO, responsible for the company's software, fund administration and ManCo business.

Before that, he was CEO of data solutions company Tradechannel AB. In this role, he was responsible for developing and implementing data solutions for financial institutions and asset managers.

### Gene Chan joins SS&C GlobeOp from Citco

SS&C Technologies Holdings has appointed Gene Chan as managing director of SS&C GlobeOp Hong Kong.

The SS&C APAC team supports both regional and global fund managers, providing a full suite of fund administration services. In his new role, Chan will be responsible for expanding the end-to-end capabilities of hedge fund operations across the region.

Chan has more than 18 years of industry experience, joining SS&C from Citco. Most recently he was executive vice president for fund accounting operations in Asia, before which he was executive vice president of valuation and profit and loss globally. He also served as senior vice president at the firm's Toronto outpost for more than a decade.



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### **Vincent Kilcoyne leaves SmartStream**

Vincent Kilcoyne has announced his departure from SmartStream Technologies via LinkedIn.

Kilcoyne's role as executive vice president and head of product management involved aiding the financial markets to deliver improvements through automation using cloud, software-as-a-service, advanced analytics, robotic process automation, machine learning, blockchain and big data.

Prior to his role at SmartStream, Kilcoyne worked at SAS as a capital market and fintech innovation lead, supporting capital market organisations and financial technology innovators realise their goals through the application of technology.

Commenting on his departure via LinkedIn, Kilcoyne says: "As I embark on a new chapter, I look forward to building on the last six years and to being part of a new team to realise the potential of true teamwork and innovation." ■

Michael Li, managing director and head of APAC for SS&C GlobeOp, says: "Gene brings to SS&C extensive experience managing hedge fund operations in several regions. As the region continues to see an influx of capital, we are focused on helping our clients navigate market challenges and position to success."

"We look forward to working with [Chan] to grow operations in Hong Kong – a strategically important center for SS&C's operations in APAC."

### **Zodia Custody appoints Drew Bradford**

Zodia Custody has appointed Drew Bradford as non-executive director of its Australian operations. In the role, Bradford will be responsible for the rollout of Zodia's real-time digital asset custody platform, SAF3.

Bradford has more than 35 years of industry experience, and currently serves as director of special projects at digital asset-focused fund manager JellyC. Prior to this, he spent more than a decade as executive general manager for markets at the National Australia Bank.

Earlier in his career, Bradford held a number of roles at Deutsche Bank. These included managing managing director and global head of listed derivatives, head of global finance and foreign exchange for Japan in the firm's securities business, and managing director of the institutional sales group.

Commenting on his appointment, Bradford says: "Zodia Custody stands out in a crypto native digital asset world as a fintech built by institutions for

institutions. I look forward to bringing my own financial markets experience to a new challenge, ensuring Australian institutions are well-prepared to survive and thrive in a digital asset future."

### **Ali Osman swaps Citi for BNP Paribas**

BNP Paribas has appointed Ali Osman as custody product manager at BNP Paribas Securities Services.

Osman has more than 15 years of industry experience, and joins BNP Paribas from Citi. Most recently he was director of global custody product management, before which he was senior vice president of the division.

Prior to this, he held senior roles within the custody and funds services business management and transaction services businesses.

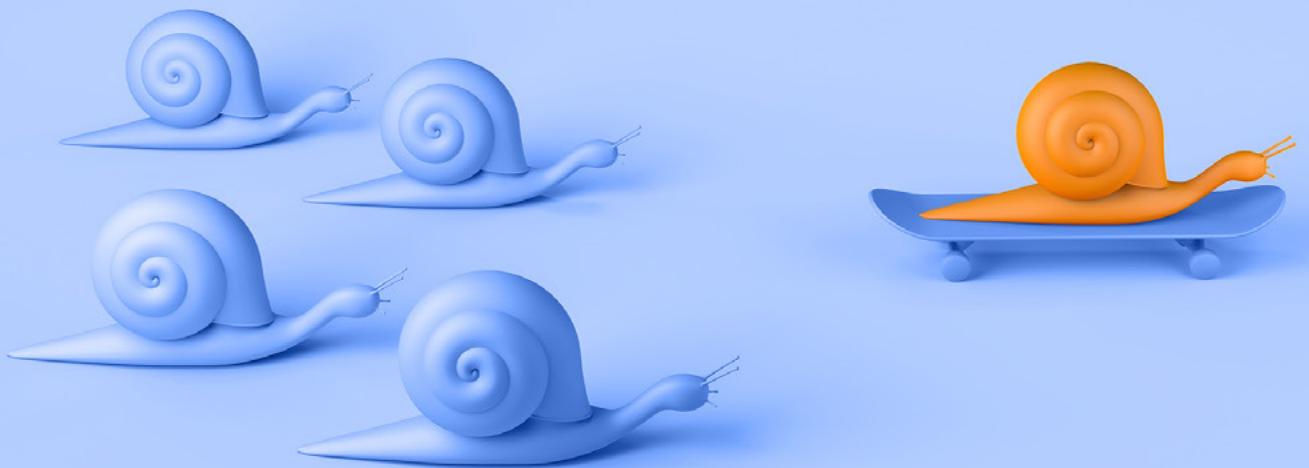
### **Fintica AI appoint Elizabeth Chia to its advisory board**

Elizabeth Chia has been appointed to Fintica AI's advisory board to advise on the company's Singapore and Southeast Asian-based strategies.

Chia has extensive experience in banking and most recently worked as general manager of State Street's office in Singapore. She has previously worked for Deutsche Bank AG, DBS Bank and BNP Paribas Securities Services.

Fintica AI, an Israeli fintech company, builds AI for the global financial industry. The company hopes to benefit from Chia's expertise in asset management, as well as global and sub-custody services. ■

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