asset servicing times

The primary source of global asset servicing news and analysis

ISSUE 330 13 December 2023

Transforming together

Caceis' Joe Saliba discusses the firm's global expansion

KDPW | TR+

www.trplus.kdpw.pl

EMIR TR, SFTR TR, ARM, LEI

All Reporting Services in One Place

Find out how we can support you in fulfilling your reporting obligations and how to get started with us.

Broadridge

Ready for Next

Drive forward. With Broadridge.

Next-generation proxy and corporate actions solutions.

Technology is changing the business world at a rapid pace – and with it, client expectations continually rise. We're committed to helping you drive your business forward, enhancing the client experience, accelerating digital adoption, reducing costs and gaining actionable insights – all while enabling you to satisfy your regulatory obligations.

You can count on us to anticipate your evolving needs and prepare for the opportunity around every curve, using innovation and advanced technology with the rigorous attention to security we bring to every solution.

CONNECT WITH US
+44 020 7551 3000
Global@Broadridge.com

Broadridge.com

© 2022 Broadridge Financial Solutions, Inc., Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.

Lead news story

MUFG Investor Services opens Malaysia operational centre

MUFG Investor Services has opened an operational centre in Kuala Lumpur, Malaysia. Puneet Gupta has been appointed managing director and head of Malaysia.

The centre will provide a full range of fund accounting administration and asset services for MUFG Investor Services clients in Asia, and will support the firm's 16 locations.

Gupta has more than 20 years of industry experience and joins MUFG from Texas-based manufacturing firm Kimberly-Clark, where he was director of global business services and responsible for the APAC region.

Prior to this, Gupta spent more than 13 years with HSBC. He joined the firm as assistant vice president of global banking for the bank's India business, before holding a number of senior roles across Hong Kong and Vietnam.

More recently, he was global head for corporate actions and settlement streamlining at HSBC Global Banking and Markets.

John Sergides, CEO of MUFG Investor Services, says: "Marking a milestone in our growth trajectory, our new operational centre in Malaysia enhances our ability to support our clients across the globe.

"[Gupta] brings extensive leadership and operational experience, which will be key to advancing our expansion strategy in Malaysia and the region." ■

asset servicing times

Bob Currie
Group Editor
bobcurrie@blackknightmedialtd.com
020 3617 1722

Jenna Lomax
Deputy Editor
jennalomax@blackknightmedialtd.com
020 3372 5997

Carmella Haswell
Senior Reporter
carmellahaswell@securitiesfinancetimes.com
020 3617 1722

Lucy Carter
Reporter
lucycarter@blackknightmedialtd.com
020 3617 1722

Klea Neza
Junior Reporter
kleaneza@blackknightmedialtd.com

Jack McRae *Junior Reporter*
jackmcrae@assetservicingtimes.com

Sophie Downes *Junior Reporter*
sophiedownes@securitiesfinancetimes.com

James Hickman
Lead Designer
jameshickman@blackknightmedialtd.com

John Savage
Associate Publisher
johnsavage@assetservicingtimes.com

Simon Holloway
Deputy Publisher
simonholloway@assetservicingtimes.com
020 3372 5997

Justin Lawson
Publisher
justinlawson@blackknightmedialtd.com
020 3667 3244

published by Black Knight Media Ltd
copyright ©2023 All rights reserved

images by efired/stock.adobe.com

Contents

06 **News Focus**
State Street to consolidate India operating model

08 **News Focus**
Euronext clearing expands services across the continent

08 **News Focus**
Nebraska Investment Council selects Northern Trust

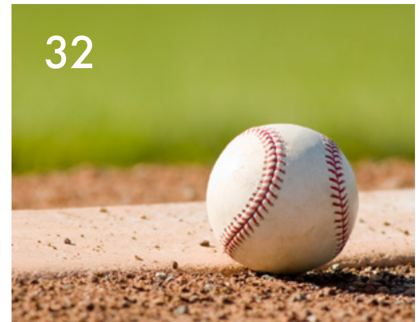
10 **News Focus**
FSB publishes new toolkit

10 **News Focus**
Taipei Fubon Bank commits to CLSNet

12 **Transforming Together**
Caceis' Joe Saliba discusses the company's evolution

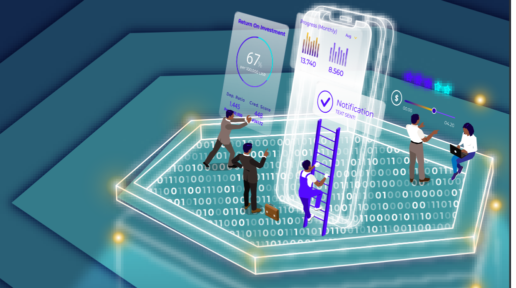
18 **Settlement Efficiency**
Industry experts consider the year gone by

28 **Proxy Voting**
Proxymity's Dean Little on the company's latest solution



32 **Fund Oversight**
What does the industry need to do next?

WealthOS Sandbox
Publicly Available
after Testing by **Exactpro**



smartstream-stp.com

REGULATORY FINES!

Searches:

intraday reporting
accurate data
internal controls
post trade settlement
risk mitigation

WE'VE GOT YOUR BACK.

SMARTSTREAM

State Street to consolidate India operating model

State Street is finalising plans to assume full ownership of its joint venture operations with HCLTech. These arrangements are expected to be completed in the first half of 2024.

Joint Venture operations (JV) Statestreet HCL Services was formed in 2012 to provide business operations services in India. By taking full ownership, State Street is aiming to streamline and simplify its global operations.

State Street claims that by bringing the services under one ownership, it will be able to provide its clients with a simplified model. The company says that this will facilitate faster and more informed decision making.

Mostapha Tahiri, executive vice president and incoming chief operating officer at State Street, says: "This integration is a natural evolution of our successful relationship with HCLTech, which remains a strategic technology partner. By creating additional scale, we remain committed to further advancing our operational model with client needs at the centre."

Srinivasan Seshadri, chief growth officer and global head financial services at HCLTech, adds: "State Street continues to be one of our strategic and top 15 clients in IT. We are proud of the collaboration over the past eleven years and look forward to our continued partnership across key priority areas of State Street." ■

BNP Paribas to provide custody and settlement services for Goldman Sachs in Austria

Goldman Sachs has chosen BNP Paribas to provide custody and settlement services to its assets in Austria.

The new mandate strengthens the existing connections between the two companies. BNP Paribas already provides Goldman Sachs with custody, cash and securities settlement services in multiple markets.

Goldman Sachs is the largest trading member on the Vienna stock exchange by market share. BNP Paribas now will offer their services and tailored solutions for Goldman Sachs in Austria.

On the mandate, Bruno Campenon, global head of banks, brokers and corporates, securities services at BNP Paribas, says: "We are delighted to receive this mandate, which confirms our commitment to the Austrian market and the depth of our local expertise. We are also very pleased to strengthen our partnership with Goldman Sachs, who has been a historical client of BNP Paribas' Securities Services business for many years." ■

images by towering_goals/stock.adobe.com

images by jfl_photography/stock.adobe.com

J.P. Morgan named global custodian for Credicorp

J.P. Morgan's Securities Services has been selected to provide a range of asset servicing solutions to Credicorp targeting the institutional investor segment.

Credicorp is the leading financial services company in Peru, with presence in Bolivia, Chile, Colombia, Panama and the US.

J.P. Morgan was awarded the business to help Credicorp consolidate its global custody and asset servicing needs into one service provider for Prima AFP and Banco de Credito del Peru's portfolio.

The company aims to unite custody business conducted through Credicorp Capital Servicios Financieros, and ASB Bank Corp entities, including global custody and reporting services for Credicorp's alternative investment fund range, for a total of US$22 billion in assets under custody. ■

BNP Paribas to service Growth Fund Germany

BNP Paribas' Securities Services business has been appointed to provide depositary and global custody services for the newly launched Growth Fund Germany.

The fund is a development of the Future Fund, an investment fund for future technologies, by the German Government and KfW Capital.

With a closing value of more than €1 billion, the growth fund aims to enhance financing opportunities for start-ups and small- and medium-sized enterprises..

The majority of the fund's assets come from private capital and institutional investors, signifying an initiative between governmental entities and the private sector.

Additional financial resources are to be invested in European and German venture capital funds.

In partnership with capital management company Universal Investment, Securities Services at BNP Paribas will act as custodian of the entire fund structure.

Complying with the German Capital Investment Code, the business will provide banking services required to process institutional investors' subscriptions and to invest in private capital target funds and other assets.

Thorsten Gommel, head of Germany, Austria, Netherlands and the Nordics at BNP Paribas' Securities Services, says: "Private markets assets and the corresponding fund structures place special demands on custodians.

"We are happy to contribute our expertise in this area to the success of the Growth Fund Germany, helping to lay the foundation for innovative and economic growth in Germany and Europe." ■

images by kiattisak/stock.adobe.com
images by enjoynz/stock.adobe.com

Euronext clearing expands services across the continent

Euronext has announced the expansion of its clearing house services for European cash markets. The services are set to expand into the Netherlands, Belgium, Ireland, Portugal, Italy, Norway and France.

Euronext Clearing will now clear equities, ETFs, structured products, warrants and bonds across six Euronext markets. The expansion will allow participants to streamline their entire trade lifecycle and to leverage on Euronext Securities to access TARGET2-Securities (T2S).

Stéphane Boujnah, CEO and chairman of the managing board of Euronext, says: "[The expansion] will enable us to further cater to our clients along the entire trading value chain, unlocking new opportunities to develop innovative solutions in a more agile way." ■

Nebraska Investment Council selects Northern Trust

Northern Trust has been selected as the custodian of the Nebraska Investment Council (NIC) pension funds. Northern Trust will provide asset management and asset servicing solutions for the pension funds, in addition to custody, portfolio analytics and securities lending services. NIC provides investment services to the state of Nebraska and is in charge of the investment of assets in state pensions and trust funds.

Michael Walden-Newman, chief information officer at NIC, says: "[Northern Trust's] dedication to the public fund space, as well as their reputation for consistent, high-quality data and advanced technology, position them well to help us as we continue to service our constituents."

Melanie Pickett, head of asset owners, Americas at Northern Trust, adds: "At Northern Trust, we value our client relationships and have been working to further connect the community of asset owners. We are dedicated to servicing public funds like the NIC and specialise in meeting their needs with dynamic solutions. It is our privilege to provide asset servicing and asset management capabilities to the NIC." ■

BKM
CREATIVE
Professional designers, industry specialists
Get in touch with the team to find out how we can help you!
justinlawson@blackknightmedialtd.com

images by nicoelnino/stock.adobe.com

CIBC Mellon to provide asset management services for Mackenzie

Mackenzie Investments, an IGM Financial company, has selected CIBC Mellon for enhanced asset management services. Global middle-office solution OnCore will be integrated into Mackenzie's existing business applications, enabling enterprise growth. The service will be administered by BNY Mellon.

Continuing its digital transformation journey, Mackenzie's global investment management team will benefit from a range of middle-office functions, increased scalability and improved functionality.

Through the partnership, Mackenzie will also gain access to BNY Mellon's Eagle Data Management platform, Data Vault and Data Managed Services products, which offer data and analytical reporting.

Mal Cullen, CEO of CIBC Mellon, comments: "I look forward to the strategic benefits and innovative opportunities made possible by this expanded collaboration. Our shared commitment to excellence, client-centricity, and technological advancement positions Mackenzie for continued success in the ever-evolving financial landscape."

Luke Gould, president and CEO of Mackenzie Investments, says: "We're delighted to be working with CIBC Mellon to enhance our investment management operations, enabling us to continue to deliver strong outcomes for our clients.

"By adopting BNY Mellon's OnCore platform and data management solutions, our investment professionals will be supported with even greater access to the information, tools and flexibility they use to optimise their investment decisions." ■

Standard Chartered picks FundsDLT for transfer agency services

Investment fund data and technology firm FE fundinfo has partnered with sustainability and impact data provider Matter to improve industry access to sustainability fund-level data. Clients will be able to integrate Matter's sustainability and impact data with FE fundinfo's financial data, delivered through FE fundinfo's Data Feed Portal.

Matter provides a broad overview of sustainability and impact metrics, such as data on fund emissions and climate commitments, insights into SFDR and EU Taxonomy, and alignment with sustainable development goals. Combined with FE fundinfo's financial data, distributors, platforms and investors will be able to access greater transparency and insights into the sustainability data dimensions of their investment portfolios. The initiative will also improve fund-level data reporting for distributors and platforms, the firms say.

Users will benefit from a diverse range of indicators, which aim to enable better decision making. Fund-level data can be used for triangulation of other ESG data providers and client-facing reporting solutions, the companies explain, outlining fund-level exposure to main market-driving criteria. ■

SECURITIES FINANCE
REGULATORY REPORTING
C-ONE
DLT/ BLOCKCHAIN
CONNECTIVITY
COMYNO
C-ONE | One-Stop- Shop for Securities Finance
WWW.COMYNO.COM

FSB publishes new toolkit

The Financial Stability Board (FSB) has published a toolkit allowing financial authorities and institutions to enhance third-party risk management and oversight.

The toolkit has been developed by the FSB's Standing Committee on Supervisory and Regulatory Cooperation on the basis of feedback to the 'Regulatory and Supervisory Issues Relating to Outsourcing and Third-Party Relationships' discussion paper, published in November 2020, and a public consultation held over the summer.

Designed for financial authorities, the toolkit focuses on the oversight of financial institutions' reliance on critical service providers. With the goal of reducing fragmentation in regulatory and supervisory approaches to third-party risk management across jurisdictions and different areas of the financial services sector, it also includes common terms and definitions on third-party risk management. ■

Taipei Fubon Bank commits to CLSNet

Taipei Fubon Bank has committed to using CLSNet, becoming the first Taiwanese bank to do so.

CLSNet, a bilateral payment netting calculation service, offers standardisation and automation through a centralised platform. CLS claims that the service mitigates risk, reduces operational costs and optimises liquidity for its participants. ■

goal

Reclaims, Recoveries, Results

More than 11 trillion USD of client assets monitored

Over 20% of withheld tax on foreign securities left un-reclaimed by investors

Over 30 years supporting the global financial community

CORPORATE AMERICA TODAY ANNUAL AWARDS 2021 WINNER

Gamechangers 2022 GLOBAL AWARDS

ISO 9001 Quality Management FS 631629

ISO/IEC 27001 Information Security Management IS 615837

www.goalgroup.com

Reclaims, Recoveries, Results

... and climbing.

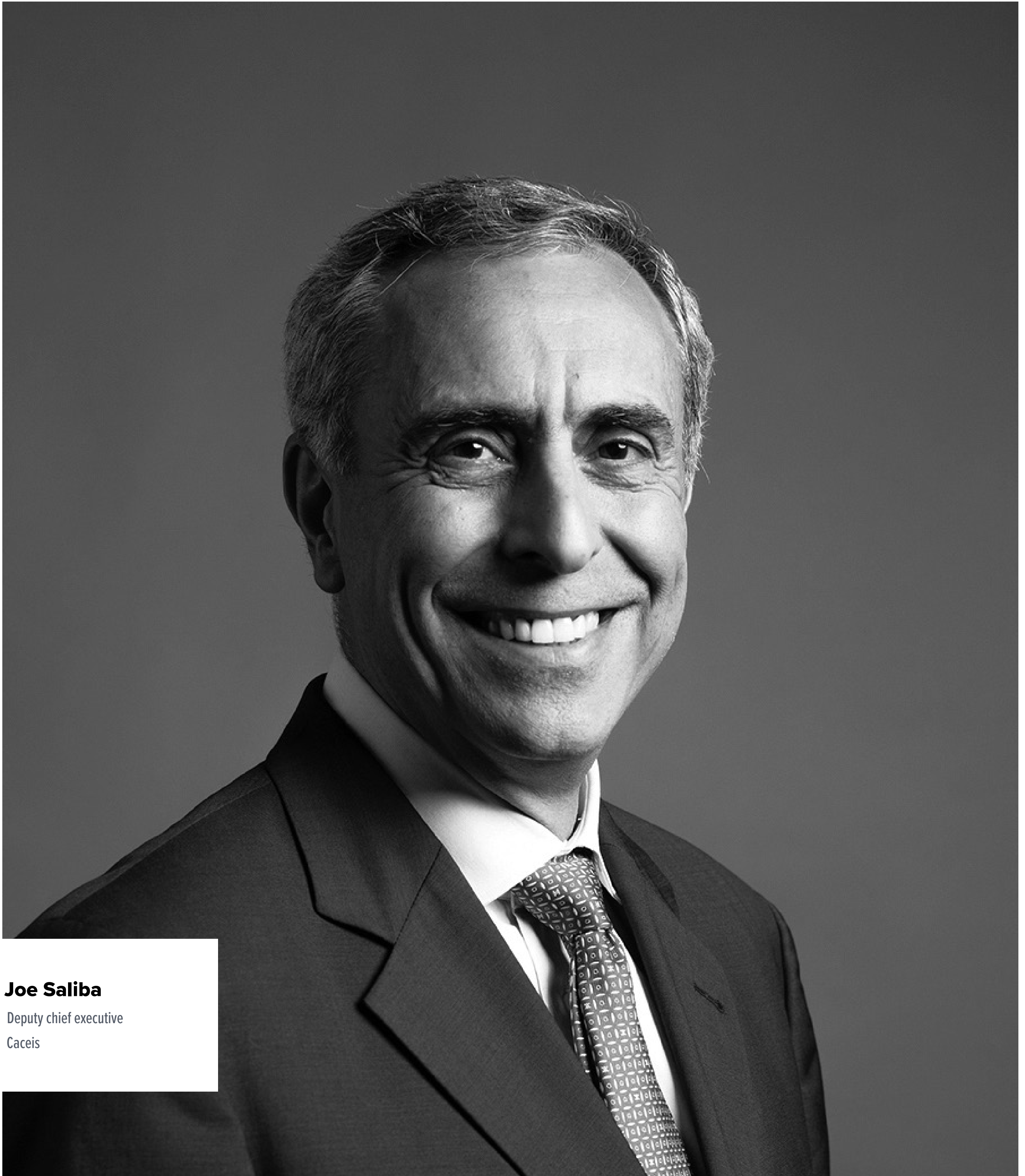
A global player in asset servicing...

Offering leading value in investor services demands constant evolution. At CACEIS, our strategy of sustained growth is helping customers meet competitive challenges on a global scale. Find out how our highly adapted investor services can keep you a leap ahead.

CACEIS, your comprehensive asset servicing partner.

www.caceis.com

caceis
INVESTOR SERVICES
solid & innovative



Joe Saliba
Deputy chief executive
Caceis

Transforming together

Joe Saliba, Caceis' deputy chief executive, talks to Bob Currie about the bank's commitment to being an asset servicing leader in Europe, the expansion of its global coverage and why he is returning to London to guide their UK expansion

Caceis has undergone a significant transformation since its creation in 2005 from the merger of Credit Agricole and Caisse d'Epargne. Since then, it has built on its core asset servicing strength in France and Luxembourg to extend its coverage in Europe and into new parts of the world.

In July, Caceis completed the acquisition of RBC Investor Services' operations in Europe and Malaysia. In 2019, it finalised the purchase of Dutch custodian and pension services specialist Kas Bank, thereby taking on Kas' book of business in the Netherlands, Germany and the UK.

Prior to that, in 2019, Caceis reached an agreement to combine its custody and asset servicing operations with Santander's post-trade arm, Santander Securities Services (S3), resulting in the transfer of 100 per cent of S3 Spain and 50 per cent (minus 1 share) of S3's operations in Latin America to Caceis.

Crédit Agricole and Santander respectively owned 69.5 per cent and 30.5 per cent of Caceis after the deal, with the transaction extending Caceis' service coverage in Spain and into Latin America, with operations in Brazil, Columbia and Mexico.

This strong expansion tells a vibrant tale of organic growth and acquisition. Caceis is now providing custody for more than €4.6 trillion in client assets and close to €3.3 trillion in assets under administration, currently offering services in 17 countries globally and with more than 7000 staff on its payroll across the group.

With this growth, chief executive Jean-Pierre Michalowski, who took over in March from longstanding CEO Jean-François Abadie, is steering a larger and more globally itinerant ship than in the early years after Caceis' formation.

Retaining and adding value

Reflecting on the strategy that has driven these business purchases, Saliba indicates that the bank is focused on retaining and adding value through each of these transactions.

"The combined entity needs to build on the value brought to the transaction by each of its components and apply this to deliver stronger service, wider coverage and greater shareholder value through the integration," he says.

"So when I am asked about my priorities when managing an acquisition, this invariably comes back to the word 'retention'," continues Saliba. "That is both retention of the clients and retention of our key employees. All parties to the acquisition need to understand why we are doing the deal and how this will deliver a better outcome for our clients, staff and shareholders."

Applying this message to specific examples, Asset Servicing Times asked Saliba to explain why RBC I&TS was an attractive target for Caceis and why the time was right, in 2023, to announce the purchase.

"In business, timing is everything," he responds. The senior management team at Caceis had been in discussion with senior management at RBC for a number of years.

Both sides identified synergies between the two banks and had discussed opportunities on several occasions since 2014 to combine their asset servicing expertise. In 2020, the Covid pandemic prevented significant advances in these negotiations. But, when the impact of Covid subsided, senior management within the two organisations felt that the conditions were right for a successful marriage of the two organisations.

"Regardless of the business model we employ to provide efficient service across time zones, this is always supported by a strong local presence close to our clients"

Saliba highlights several primary drivers. One was to reinforce the expansion of Caceis' fund services footprint in Europe for traditional and private assets. "At Caceis we were looking to position ourselves in the top tier players in the most important fund jurisdictions in Europe, notably in Luxembourg and Ireland," he says. "With this transaction, we will be among the top three providers in Luxembourg, and top five in Ireland. That is critical for us."

This will also reinforce Caceis' expertise in alternative investment fund (AIF) services. He notes that the bank has invested heavily in its product set and expertise since 2014 and it has extended its coverage in AIF accounting, distribution support and depository services. "By combining the two businesses, we aim to become a market leader in Europe for private asset administration."

A further attraction is that the client base for RBC I&TS complements the existing client coverage at CACEIS. RBC I&TS has a wide list of blue-chip names and a significant clientele from the English-speaking markets. CACEIS has a strong European book of business and has delivered robust organic growth over the past few years. "The deal widens our client coverage and adds new flagship brand-name fund houses to our business portfolio," comments Saliba.

Significantly, Saliba indicates that the RBC purchase provides valuable technical and operational resources to support Caceis' future expansion strategy. With the purchase, Caceis has acquired an operations service centre in Kuala Lumpur with more than 1200 staff. "These are highly skilled and energised, with a strong knowledge of the asset servicing industry," says Saliba. "This provides us with a crucial resource that will enable us to move our business forwards."

Follow the sun (with local presence)

Prompted on how this would reinforce the bank's global operational coverage, Saliba explains that Caceis already offers follow-the-sun service coverage through its operations centres in Hong Kong, Europe and Toronto.

However, acquiring the Kuala Lumpur service centre from RBC I&TS adds further scale and operations talent to its global coverage. While the Hong Kong centre has a staff complement of about 100, the Malaysian centre is many times bigger.

Regional service centres sit at the heart of Caceis' global operating model, but client proximity remains essential to the company's working culture. "Regardless of the business model we employ to provide efficient service across time zones, this is always supported by a strong local presence close to our clients," he explains.

Caceis now lists roughly 30 market-leading US fund houses among its core clients. Since acquiring RBC's European asset servicing activities on 1 July 2023, Caceis now has a representative office in New York which particularly supports the activities of North American asset management firms as they extend business into new markets outside of the US.

The rep office team offers representational and administrative activities relating to custody and fund administration, transfer agency and ancillary services, as well as providing a liaison between US clients and Caceis' global operations departments. The US-based names represent an important component of Caceis' client base, says Saliba, with a number of large US-based global asset managers expanding their fund range in major European fund domiciles and their distribution reach into new European markets.

"These clients from the English-speaking markets sit at the heart of our growth engine," he says. To illustrate their importance, Saliba, as deputy CEO of Caceis, has recently relocated to London, thereby positioning one of the bank's most senior executives to be close to this client segment and to support the development of the UK market.

"Our plans for the UK centre rely heavily on extending our presence in the pensions funds market," he explains. "We have an attractive offer for this client segment and we are confident that this will motivate UK pension funds to rethink their business models."

A second target area for UK expansion is private asset administration. "The UK is a large market for alternative assets, particularly for private equity and real estate," he says. "We are a major player in these spaces and identify strong opportunities to extend our market share, drawing on the expertise that we offer in AIF services from Dublin, Luxembourg, Jersey and other locations."

Pension funds centre of excellence

Reflecting on another major purchase that Caceis announced four years ago, the acquisition of Netherlands-based asset servicer Kas Bank, Saliba indicates that this transaction has already delivered many of the objectives that Caceis' leadership had targeted prior to completion.

"This deal has strengthened our coverage in the Benelux region, with the transition of Kas Bank's clients completed in May 2021," he says. "Additionally, Caceis has capitalised on Kas' impressive track record in pension fund administration, custody and analytics with the launch of a pension funds centre of excellence in the Netherlands," he adds.

This is already reaping benefits, Saliba believes, with Blue Sky Group, an independent pensions administrator that had its origins in KLM airlines, recently committing to a full outsource of its investment administration and supporting operations. This front-to-back outsourcing package, which has been developed with Simcorp Dimension, will also deliver transaction processing and payment transactions, post-trade compliance monitoring, performance analysis, risk analysis and associated reporting obligations.

"We are also being included in large RFPs in the UK and in many other European markets, including Germany, Switzerland, Italy and Spain. So the Kas acquisition has worked well for the company," comments Saliba.

Consistency alongside change

Almost two decades on from Caceis' formation, AST was interested to hear from one of its core strategists about how the bank had changed, and which facets of its culture and approach had remained broadly the same. Having been in the cockpit for much of this journey, Joe Saliba chooses to reflect first on what has changed.

"Brazil is a large market which is heavily fragmented and we are strongly positioned through the full service offer that we provide in this location"

Caceis has a much broader banking network than it did in 2005, he notes, now covering 17 countries globally. This has translated into a wider client base, with Caceis supporting clients in most major geographies, including a wide range of European locations, the US, the UK, Canada, Latin America and a number of major Asian markets.

The product offer is also much wider than it has been previously. "We now have a complete asset servicing offer covering the front to the back office," he says, "with a more sophisticated offer for servicing alternative assets, pension funds, custody for digital and traditional assets, and a range of other segments." This is supported by product centres of excellence in France, Luxembourg, Germany, Malaysia, Hong Kong and Madrid.

This is complemented by strong growth potential in Latin America, through Caceis' partnership with Santander in which Caceis owns 50 per cent less one share. "Brazil is a large market which is heavily fragmented and we are strongly positioned through the full service offer that we provide in this location," he says. "We are also one of the few providers to offer a comprehensive custody and fund services capability in Columbia and Mexico. There has been a strong pipeline of inquiries from global banks and brokers, and from international fund houses, inquiring whether we can service their business in Latin America."

One fundamental that has not changed since 2005, observes Saliba, is the bank's business culture and core values. "This centres on always trying to do the best for our clients and the best for our employees," he says. "This has been fundamental in managing our approach during recent business acquisitions."

"We take care in our management framework to minimise bureaucracy and to provide a transparent decision-making structure that is guided by the priorities of the client and the expertise and creativity we have within the company"

With this, the bank is cautious not to lose agility in its decision-making structures as the organisation expands. The goal is to preserve responsive communication lines, akin to a family-sized business, even as its headcount and book of business have grown rapidly. "We take care in our management framework to minimise bureaucracy and to provide a transparent decision-making structure that is guided by the priorities of the client and the expertise and creativity we have within the company," he says.

Central to the bank's core values, says Saliba, is that Caceis has been green well before green values started to receive their recent prominence. This is characterised in its ESG-Climate Reporting solution, for example, which is designed to help institutional investors and asset management companies to evaluate their portfolios according to ESG-Climate criteria and to provide fully transparent information on the social and environmental impact of their investment decisions.

Another guiding value is a commitment to technology development and digital innovation. "We continue to invest consistently in our IT infrastructure, including Olis, the single access portal for all Caceis' digital and traditional services, and Teepi, a regulatory platform supporting data exchange between institutional investors and financial regulators," says Saliba.

To extend client access to a wide range of third-party fintech solutions, Caceis introduced its Connect Store in late 2022, where Caceis serves as an aggregator, enabling clients to connect third-party solutions into their workflow, using APIs to deliver secure access for the fintech to the client's data.

It has also released a digital asset platform, labelled the Digital Assets Factory, which was built in collaboration with Swiss distributed ledger technology (DLT) company Taurus.

This offers modules to support token issuance (known as Taurus Capital), custody of private keys (Taurus Protect) and a module to provide access and interoperability with a range of external DLT platforms (known as Taurus Explorer). "Operationally, Caceis has designed specific processes to handle both traditional and digital assets, producing consolidated reports that will soon be available via Olis," says Saliba.

Growing together

Looking ahead, Saliba predicts that further consolidation is imminent in the asset servicing sector and that Caceis intends to be a primary driver of that consolidation in Europe and beyond.

"The goal is always to bring organisations together to become stronger, combining the bank's expertise with other entities to create a new Caceis that will be better positioned to define the future," explains Saliba.

This is not just a feature of the bank's recent history, he explains — characterised by the purchases of RBC I&TS, Kas Bank, and S3. Prior to that, CACEIS engaged in a series of purchases that strengthened its positioning for future expansion.

This includes the 2007 acquisition of HVB Germany's custody business from Unicredit. In 2010, it bought the fund depository and custody business of HSBC France.

In closing, Saliba indicates that the bank will concentrate on reinforcing its status as a champion in asset servicing in Europe. "Caceis' strategy has proven to be highly successful over the past decade or so," he says. "When I speak to US clients, they tell us they are pleased to see an ambitious European player that offers a strong alternative to the traditional US asset servicing specialists. We continue our journey to be an asset servicing leader in Europe. The objectives that we set for our business a decade ago are now being realised." ■

FUNDGUARD

CROSS ENTERPRISE INVESTMENT ACCOUNTING

One platform. Multiple books. Monolithic no more.

FUNDGUARD.COM

Looking back on 2023

As the year comes to a close, market participants share their thoughts on 2023

Lucy Carter reports

Over 2023, the financial world has had its fair share of ups and downs. Asset Servicing Times spoke to industry experts who reflected on what the last 12 months has had to offer.

According to Satu Kiiski, consulting director for global banking at CGI, alternative asset classes have gained traction over 2023. "Investors are leaning into alternative investments, such as private equity, direct lending and real estate."

By diversifying their portfolios, investors can potentially increase their profits and safeguard against inflation. However, they also tend to be more volatile and complex than traditional assets, and have limited liquidity. While interest in alternative assets may be up, exchange-traded funds and "traditional asset classes like stocks, fixed interest, mutual funds and savings accounts have stayed strong," Kiiski confirms.

"We've seen significant interest from financial institutions, particularly buy-side, operating in credit and private debt markets," says Josh Monroe, chief revenue officer at Xceptor. He reports a "notable growth" here, with "a corresponding need for data transformation and improved workflows".

A major talking point over the last few years, and a prominent element of 2022's year in review, has been crypto assets. This year, though, "the major boom has passed", says Kiiski. While crypto "remains crucial for some investors", the volatility and risks of the market have once again made headlines outside of financial circles. The much-publicised trial of FTX's Sam Bankman-Fried, and Binance CEO Changpeng Zhao's departure from the company after pleading guilty to anti-money laundering and sanctions violations, have further taken the sheen off of an innovation that many thought would revolutionise the financial world.

Time goes by

It goes without saying that T+1 has been on the industry's mind this past year. In Asset Servicing Times' reflection piece last year, market participants drew attention to the barriers in place around a shortened settlement cycle, with many raising concerns about an overall lack of preparedness across the industry. This concern was addressed in further detail in our T+1 panel discussion, held at Sibos in Toronto, published in Asset Servicing Times Issue 326. With less than six months before T+1 goes live in Canada and the US, 2023 has seen preparations, and potentially panic, ramp up as the 27-28 May 2024 implementation dates loom closer.

images by boule1301/stock.adobe.com

> **"The push for T+1 is serving as a catalyst for the industry to revamp its approach to operations, and that's an opportunity that, if seized correctly, can lead to significant long-term benefits"**
>
> **Brian Collings, Torstone Technology**

"T+1 has undoubtedly been the most significant regulatory focus for us and our clients this year," shares Brian Collings, CEO of Torstone Technology, affirming it to be a "seismic shift in market infrastructure and post-trade processing".

A compressed settlement cycle "intensifies the need for accuracy and speed in processing transactions", reducing tolerance for errors and the margin for delay. Two main hurdles are being highlighted by the industry's preparations for the shift, Collings says: "The rigidity of existing legacy systems, and the readiness of operational workflows to adapt to a faster settlement regime".

"Meeting regulators' criteria for faster settlement will require firms to have a better handle on their data," says Xceptor's Monroe, "ensuring it is accurate and validated". He adds that workflow automation will also be key for the transition, "enabling firms' experts to be freed up for more complex, nuanced work.

Expanding on Torstone's approach to clients' challenges in this area, Collings states that "we see these as opportunities to innovate and streamline processes." The problems cropping up as the industry prepares for the shift "underscore the criticality of investing in new technologies and talent development", he says, a sentiment that goes far beyond the remit of a shortened settlement cycle. "The push for T+1 is serving as a catalyst for the industry to revamp its approach to operations, and that's an opportunity that, if seized correctly, can lead to significant long-term benefits," he confirms.

An overall reevaluation of operational processes and underpinning technologies has also been prompted by firms' work around T+1, with Collings noting "significant strides in enhancing middle-office processing solutions". Torstone has focused on "real-time, straight-through processing capabilities", he says, allowing clients to manage and settle trades with greater efficiency and less risk.

It's rare to hear about T+1 without T+0 being mentioned. While industry opinion may be split on the feasibility of instantaneous settlement — as proven by several heated panel discussions over the year — Collings suggests that organisations are already thinking about how to futureproof their operations and infrastructures, going beyond the current regulatory requirements in their preparations.

AI acceleration

Each year brings a new technology for the financial services sector to bill as an industry game changer. Whether the latest innovation will stand the test of time is never certain, but market participants are optimistic and confident about the future of 2023's hottest topic — generative AI (GenAI).

"Leveraging artificial intelligence is now imperative for maintaining competitiveness in terms of effectiveness and customer experience," says CGI's Kiiski. "Everyone is seeking a use case for GenAI."

The most advanced asset servicing companies have already utilised AI successfully in their daily lives", Kiiski adds, while others are finding new use cases and beginning to implement GenAI initiatives into their operations.

Although enthusiasm towards innovation is always welcome, there's a danger of GenAI being over-applied and shoehorned into use cases where existing or alternative solutions would be more appropriate. These concerns, and others, were raised in Asset Servicing Times' Issue 328 feature on the topic, in which industry participants considered the pros, cons and questions around the quickly evolving technology.

For financial institutions, the primary use cases for GenAI relate to efficiency gains and customer experience, Kiiski says. At Linedata, Timothée Raymond, head of innovation, shares that the firm is working on GenAI use cases around data access and document crunching, helping users to save time and improve efficiency.

Kiiski adds that “huge benefits can also be reached in the risk and compliance field”, aiding fraud detection operations, and the IT development space. This is “a significant cost for financial institutions and can become more efficient by using GenAI to generate code or test material”.

However, any new technology comes with its drawbacks. “The main hurdles are bias, hallucination, cyber threats, intellectual property issues and regulatory compliance”, Kiiski notes, concerning issues that have been discussed at length both during panels and behind closed doors.

AI has come on in leaps and bounds during 2023. For the technology to be truly effective and beneficial, “excellent data governance and robust safeguards” must be put in place, says Xceptor’s Monroe. As this year has proven, the industry is dedicated to working on these measures; as frameworks around AI continue to grow, “the potential is vast”.

Essential automation

Closely linked to AI is automation, another space that has seen considerable development over 2023. “This year has marked a pivotal point in the adoption of automation and the removal of manual processes,” states Torstone’s Collings. “There’s a collective understanding that in the ever-evolving financial markets, modernisation is not just beneficial — it’s imperative.”

Automation improves the timeliness and accuracy of data, he adds, which in turn facilitates “better decision making at all levels of the business”.

With data quality and availability a persistent issue in the financial services world, embracing automation can considerably improve long-standing problems within individual firms and the broader industry alike.

A need for automation has been made particularly clear amid preparations for T+1, as businesses have realised that their current operations just aren’t fast enough for what’s to come. Beyond the imminent arrival of T+1 in North America, other jurisdictions are expected to follow suit, accentuating the need for faster and more efficient operations.

Firms need to be “better equipped to handle the increased volume and velocity of transactions that come with a shortened settlement cycle”, Collings says, and should be using automation to “lay the groundwork for future settlement models which may operate on even tighter settlement horizons”.

> **"Without automation firms cannot cope with volumes, nor can they manage the increasing complexity of their data and processes"**
>
> **Josh Monore, Xceptor**

A significant number of new and emerging challenges like this cannot be solved by increasing headcount — an approach that has its own hurdles, as hiring practices continue to adapt to a post-Covid-19 world. To keep the financial industry as resilient and agile as possible, automation has been proven as an essential investment to “reduce the cost of operations and help to mitigate risks”, Collings states.

“Without automation firms cannot cope with volumes, nor can they manage the increasing complexity of their data and processes”, Xceptor’s Monroe affirms. “They’re also less able to respond to market changes or implement new ways to generate revenue.” Automation has been a key priority over 2023, and will continue to be so as time goes on.

Up in the cloud

The past year has also seen changes in the motivation to transition to the cloud, an approach that firms have been adopting at varying paces for several years. “A few years back, the main drivers for moving to cloud were cost reductions and capacity optimisation,” Kiiski says. Now, however, “cloud is viewed as a strategic tool for meeting business goals such as real-time operations, access to real-time data and faster IT development to address rapidly evolving customer needs”. It has also gone from being perceived, particularly by banks, as risk-heavy to being considered “the best option for risk management”, ensuring continuity and efficiency as firms adapt to changing, and changeable, times.

> "The key to succeeding in the asset servicing industry is to always consider that the services are simple and easy to use for the client"
>
> **Satu Kiiski, CGI**

Speaking to Asset Servicing Times earlier this year, Andy Schmidt, vice president and global industry lead for banking at CGI, advocated for the use of 'dual cloud deployment'. Having two cloud providers on hand makes it far easier to stay up and running when something goes wrong, with a backup ready to go in the event of any outages. Cloud technology isn't anything new, but attitudes towards and applications around it continue to mature as understanding and trust develop.

Staying sustainable

Although conversations about ESG have somewhat fallen down the priority list on a number of conference agendas, regulatory efforts behind the scenes have continued at pace — although their implementation leaves something to be desired. "The entire financial industry is significantly impacted by sustainable finance regulations", says CGI's Kiiski, all of which are at different stages, ascribe to varied definitions and standards and often bring reporting complications.

This is a challenge for investors at every level. While financial institutions are now, for the most part, aware of the importance of engaging with sustainable finance initiatives, finding an effective way to do so remains challenging. "Both regulatory and voluntary goals require extensive reporting", Kiiski explains, something made challenging not only by the issues we have discussed but also the ongoing lack of data availability in the space.

On the investor side, the sustainability credentials of a particular fund can be close to incomprehensible. Sustainable investing continues to be on the rise, Kiiski notes, "especially among environmentally conscious young people"; but how much impact can really be made if the space remains so unclear? To date, an efficient regulatory solution remains evasive.

Takeaways

Reflecting on 12 months of technology developments, Collings believes that 2023 has seen the industry begin to "set a new standard for efficiency and reliability in post-trade services". While regulation implementation will never be 'finished', this year has seen significant progress in the development of new regulations and the fine-tuning of those already in place. This year has been "all about automation at scale", says Xceptor's Monroe, with the market "extraordinarily aware that a lack of automation is likely to negatively impact operations, particularly in the context of T+1 settlement times". Those that have not yet embraced automation, or will not have done so by May 2024, risk regulatory fines, operational risks, inaccurate book of records and, crucially, reputational damage.

When it comes to new technology, Kiiski stresses that "the key to succeeding in the asset servicing industry is to always consider that the services are simple and easy to use for the client". Firms should consider the real benefits of bringing in the shiniest new innovation, and must ensure that they are solving problems and maintaining security rather than creating complexities.

"The asset servicing industry has had a truly interesting and busy year dealing with a lot of uncertainty worldwide", Kiiski concludes. High interest rates, inflation, the continual impact of climate change, international tensions, wars and political uncertainty are just some of the events that have been weathered during 2023. Although it seems bleak, these are issues that the industry, and the world at large, will have to deal with for the foreseeable future.

Over the past few years, the word 'unprecedented' has been used with increasing frequency — it would have been difficult to predict many of the events that have occurred this year. That being said, the asset servicing world has seen much innovation and achievement in 2023. As we reach the end of the year, and begin looking towards the next, the industry must prepare for a new set of challenges — and continue to work on solutions for those that persist. ■

Proxymity

Digital proxy voting powered by Proxymity

Traditional proxy-voting is slow,
inaccurate and open to distortion.
It's time to move to Proxymity for
real-time, transparent communications.

Visit **proxymity.io/proxymity-vote-connect**
to learn more

Investor communications for a connected world

Meeting the challenge of T+1

The shortening of settlement cycles across the financial sector is inevitable. Whether you operate funds with a US tilt or purely domestic funds, there is almost certainly no escape.

In this article, Calastone's chief operating officer Stephen Leggett and Gary Wright, director of the International Securities Association for Institutional Trade Communication (ISITC Europe), explore how firms can respond, where they should look first and why liquidity needs to be in focus

The end of May 2024 has taken on a new significance for the UK's fund management industry. It is then that North America's securities market will shorten their settlement timeframe from trade date plus two days (T+2) to trade date plus one (T+1).

That poses a challenge at two levels. First, how can fund managers telescope the processing of their trading in US shares into a much-shortened timeframe; and second, how should they deal with an increasing mismatch between the securities settlement cycle and their own funds' subscription and redemption cycles?

Shift from credit risk to operational risk

The thinking behind the move is that this will shorten market participants' exposure to counterparty risk, prompt greater efficiency and lift liquidity. Brokers and custodians will benefit by having to put up less margin in the settlement system. It will also lower their capital requirements.

But, in a SWIFT Institute paper published earlier this year, titled 'Industry Preparedness for Accelerated Settlement', the authors commented: "Fund managers outside the T+1 migration regimes struggle to see how the benefits accruing to brokers and custodians will reach them and their customers, while they see themselves as facing new operational costs and new operational risks."

Just to add to the pressure, both the UK and the EU are debating whether to follow the US example and move to a T+1 settlement timeframe. A UK taskforce is due to report on this by December 2023.

Gary Wright, one of the authors of the SWIFT paper, says: "Many in the market hope that the taskforce will keep the UK aligned with Europe on T+2. But there may be a political push to differentiate the UK from Europe."

Pressure to telescope settlement process

How big a challenge will this be for UK fund managers? For those with US-focused or global funds, the window for affirming and reconciling US trades will be desperately short. They may well need a late-night team in place to manage the process.

Then there is the problem of getting dollars in place for new investment when foreign exchange normally takes two days to settle. Selling a UK or European equity in a T+2 settlement cycle and reinvesting the proceeds into the US at T+1 will pose problems. Firms will either have to settle for being out of the market for a time or prefunding the US purchase.

There may be a premium on having a ready source of dollars stateside. Custodians may come up with solutions, stock lending among them.

Images by paulistastock.adobe.com

But the SWIFT paper highlighted the manual and ad hoc processes often relied on here and the tight recall window required.

There are big issues for the exchange-traded fund (ETF) market, too. Gary Wright adds: "If you change the settlement of the underlying, you also impact the derivatives. If an ETF has 40 per cent of its assets in the US on T+1 and the rest in T+2 markets, there will be a funding gap. Some will have FX exposures at T+2. There is cost and market risk here for the investor."

Implications for the fund settlement cycle

Trading in the US on a T+1 timeframe materially increases the mismatch between the securities settlement cycle and funds' own subscription and redemption cycles, commonly T+3 and sometimes T+4. Without a shorter settlement cycle, there will be a funding gap that will need to be covered by a cash float or credit line.

Fund managers will need to understand how each product is impacted and what contractual issues are implied by the move to T+1. Does the fund's documentation allow borrowing? What additional charges and costs are involved? Clients will need to be made aware of any material changes.

There is a regulatory issue too. The Investment Association (IA) has pointed out that "redemptions can mean that the cash is held for additional days before being released to the investor, with potential Client Asset Sourcebook (CASS) considerations".

CASS is a set of rules focusing on investor protection.

Holding onto, rather than releasing, investors' cash for an extra day could run counter to the thrust of CASS.

The IA suggests that firms should transition funds with a heavy North American weighting to a T+2 fund settlement cycle by, or soon after, the end of May next year, and that firms should start work on transitioning the rest of their range to T+2 to 'future proof' a move to T+1 in UK equities. Firms currently operating on a T+4 cycle that are unable to move to T+2 should consider moving to T+3 "at a minimum".

John Allan, head of the Innovation and Operations Unit at the IA, points out that firms that choose to transition only their US-centric funds to T+2, while leaving the rest on a T+3 cycle, will have funding issues if investors switch between funds.

"The settlement mismatch may require firms to fund the account in the meantime," he says. All of this underlines the need for good liquidity management.

"Imagine a world in which you had a clear sight of the cash and liquidity ladder. There are many benefits, but I would say having an elegant way to manage your cash requirements must be at the top"

Stephen Leggett
Chief operating officer
Calastone

Liquidity takes centre stage

Fund settlement delays already require distributors or fund managers to fund cash shortfalls. Failure to keep up with the demands of T+1 will only magnify them.

John Read, founder and managing partner at Prodktr, a treasury specialist provider, says firms need a "centralised front-to-back platform with a single data source of truth".

He adds that it is also important that someone has ownership of liquidity. "Too often, cash management sits somewhere between the chief investment officer and the chief operating officer."

Clear visibility over cash becomes ever more essential.

Then there is the matter of ensuring the availability of cash or credit lines.

Traditionally, firms have either left a cash float or collateral with their custodian or agreed a facility with their bank that they can call on for intraday, or sometimes overnight, borrowing.

But credit has become tighter in the past couple of years, while smaller fund management companies may have limited scope for borrowing.

Certainty through automation

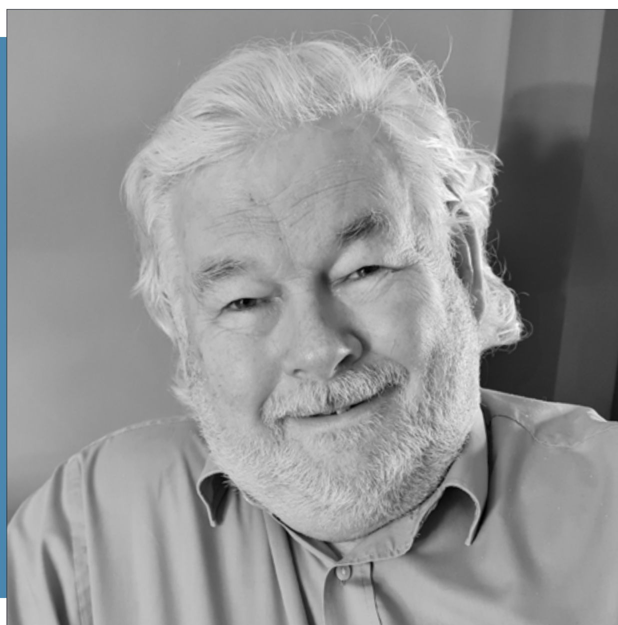
"All of this makes it essential that firms build certainty into their payments and settlements," explains Steve Leggett. "That can only happen in an automated environment where they get a real-time view of what is coming in and going out from the trade date. They can then calculate the eventual settlement sums with near 100 per cent certainty, knowing all reconciliation issues have been dealt with and there can be no surprises on settlement day."

In an automated environment, the number-juggling between systems is replaced by an automated trade-to-payment reconciliations process and automated management of payments. Once agreed, those payments must be locked in. Automation on this scale is a powerful tool in managing liquidity. "Imagine a world in which you had a clear sight of the cash and liquidity ladder," Leggett continues. "There are many benefits, but I would say having an elegant way to manage your cash requirements must be at the top."

Fund firms face tough decisions, given the limited time available to plan for T+1 and possibly to transition to a new subscription and redemption settlement cycle. They should avoid sticking plaster fixes in favour of fully automated settlement solutions that manage not only the demands of T+1 but future-proof the business against whatever else is thrown at it. ■

"Many in the market hope that the taskforce will keep the UK aligned with Europe on T+2. But there may be a political push to differentiate the UK from Europe"

Gary Wright
Director
ISITC Europe



Dean Little
Co-founder and CEO
Proxymity

Going global

After winning the Best Asset Servicing Technology award at this year's AST Industry Excellence Awards, Proxymity's Dean Little shares the firm's latest digital proxy voting solution, Vote Connect Global

Proxymity, known for its innovative moves in the proxy voting and shareholder disclosure arena, has disrupted the proxy voting landscape once more with its recent announcement of Vote Connect Global, a global digital proxy voting solution.

The product is available in more than 100 markets, and is set to make the lives of custodians and investors easier worldwide. Dean Little, co-founder and CEO of Proxymity, explains more.

Proxymity has been an innovative force in proxy voting since the company was established over three years ago. Now it seems you've gone global — can you explain the primary benefits that Vote Connect Global provides global custodians?

Vote Connect Global has been developed by combining our innovative digital platform and deep expertise in the global proxy voting space and listening to our customers and their needs.

A recent independent survey noted that the current ecosystem is costly, inefficient, and unreliable.

Our new solutions address these points to provide a better global ecosystem to ensure improved governance for all.

Key among these customer needs is a single vendor solution that delivers our trademark transparency, accuracy and security to the global proxy voting ecosystem.

By using Vote Connect Global, global custodians are able to provide their clients and institutional investors with more time. Offering the best market deadlines means clients can use this extra time to research and vote, confirm their votes were counted and self-serve via our new intuitive customer portal.

What new features does Vote Connect Global offer to benefit global custodians?

We've mentioned some already but to highlight a few: we now offer world-wide coverage serving over 100 markets, real-time integration with leading vote advisory agents, dynamic vote recycling that reduces rejected votes by up to 50 per cent, and a new self-service customer portal with an intuitive interface.

In addition, in response to further customer feedback, we also have added Power of Attorney management. These are just some of the important features enabling the benefits I mentioned earlier.

Why are these benefits so vital at this moment, given the current landscape of investor relations?

For global custodian shareholder clients, part of the problem has been a perceived lack of transparency.

Effective transparency is critical for both issuers and investors in order to support better engagement and overall stewardship, cornerstones of long-term responsible investments and stable economies.

The good news is that we are also seeing companies across the ecosystem actively responding to these shareholder demands, having made an unprecedented number of data disclosures to shareholders in 2023.

This responsiveness, combined with the surge in the readiness of investors to initiate proxy contests, is proving to be a key driver for issuers, custodians and investors to modernise outdated proxy voting systems, enabling a much closer level of shareholder engagement in the future.

"Despite the challenges to democracy, climate change and global economic uncertainty, we remain positive that the global financial ecosystem is benefitting from the investments in connectivity and technology"

How does Vote Connect Global assist in navigating and complying with different regulatory requirements across multiple markets?

This challenge is not new for Proxymity, we have been dealing with multiple markets and a complex regulatory environment for some time. With Vote Connect Global we used our compliance expertise and applied this to our global processes. The quality and consistency of our results bring direct and repeatable benefits to the whole ecosystem.

In essence, Vote Connect Global enables global custodians to manage large volumes of proxy voting events efficiently and ensures their timely execution. Global custodians can streamline operations, reduce risks and deliver exceptional proxy voting services. The solution, by providing real-time, accurate reconciliation of account holdings, ensures the account holders are receiving and voting on ballots with verified share positions. Vote Connect Global also handles all ballot distribution and vote collection, saving both time and money.

How easily can Proxymity's solutions be integrated with existing systems and processes of global custodians?

Our solutions, including Vote Connect Global, are based on cloud-native architecture designed for use across the financial services industry. We have invested in the security and resilience of the platform in order for us to offer the scalability that global institutions need from their proxy voting operations. As you can imagine, every global financial institution is different, however connectivity is a core strength for Proxymity. We are trusted by major financial institutions on our third-party vendor management and cloud management frameworks, and acknowledged as leaders in integrating with legacy banking and financial infrastructure.

We deliver rapid data exchanges between banks and other players in the global ecosystem and so dealing with proprietary systems, logic and customised APIs on a regular basis is not out of the ordinary for our implementation teams.

How does Proxymity ensure the highest standards of data security and protection, particularly in the handling of sensitive voting and legal documents?

Proxymity takes security and data management very seriously and has invested significantly in developing the latest technologies to support our clients' security requirements. In addition to the frameworks and vendor management mentioned earlier, we were also recently awarded SOC 2 accreditation for the third consecutive year. This investment is part of the reason why we are backed by seven of the top ten leading global custodians managing over US$200 trillion worth of assets under custody.

Any final thoughts on the proxy voting landscape in 2024?

Like many of our clients, we are busy getting ready for the 2024 season in the Northern hemisphere. Despite the challenges to democracy, climate change and global economic uncertainty, we remain positive that the global financial ecosystem is benefitting from the investments in connectivity and technology, and we see this welcome trend continuing.

Our mission has always been connected to bringing greater democracy and transparency, facilitating investor communications between companies and their shareholders, and we are excited by the opportunity to bring the industry closer to this goal. ■

AccessFintech

SECURITIES PROCESSING WITH ACCESSFINTECH

Welcoming our new clients to the AccessFintech Synergy network!

REDUCE MISMATCHES

MINIMISE FAILS

STREAMLINE CSDR PROCESSES

MANAGE DISPUTE CLAIMS

Find out how data driven workflow can help your organisation

www.accessfintech.com

Eyes on the ball

The efficacy of fund oversight operations has implications that spread far and wide. Lucy Carter discusses the current landscape, the changes that have been made and what needs to be done next

The consequences of inadequate oversight of fund managers can be fatal, going far beyond the loss of money or a sullied reputation. Following the Madoff investment scandal in 2008, six suicides are noted as a direct consequence of the fund's collapse.

Similarly devastating, the 2008 Financial Crisis, attributed in part to regulatory and oversight failure, was the catalyst for Europe's Alternative Investment Fund Managers Directive (AIFMD) and drew attention to the importance of sound oversight practices.

But regardless of the changes that the crisis ushered in, the effects on lives and livelihoods were incalculable and are still being felt today.

Changes to regulations and compliance rules may be onerous and exhausting, but their importance cannot be overstated. Even if the industry complains about the layers of oversight they must maintain, and the endless paperwork that regulators demand, not keeping up with obligations can have dire results.

State of affairs

In 2018, the Financial Conduct Authority (FCA) introduced the requirement for at least a quarter of authorised investment funds' boards to consist of independent directors. Following the US approach, this strategy aims to embed an investor watchdog into funds' practices, with the primary goal of championing the end investor's interests.

However, a 2021 review of this business model — assessing whether conflicts of interest were being effectively raised — brought a number of concerns to light. Alternative investment fund managers (AIFMs) could not provide sufficient evidence of their governance procedures, and the contributions of independent non-executive directors (iNEDs) were of varying qualities. The review further identified a failure to challenge senior management decisions, whether due to independent non-executive directors' unwillingness to voice issues or a lack of awareness of their duties or insufficient expertise.

A more recent FCA report, released earlier this year, stated that although the value assessments generated by fund managers had improved "significantly", there is still work to be done. The lack of challenge from iNEDs has persisted, with information accepted at face value, and a large disparity noted between good and poor fund performance assessments.

To improve this persistent issue, Stephen Johnson, managing director of client delivery operations at Broadridge Fund Communications Solutions, advocates for "more specific expertise at board level." He suggests that rather than relying solely on broad government experience, iNEDs should bring specialised expertise to their roles. "That's not to say that other board members can relinquish responsibility," he clarifies, "but oversight will be enhanced if there are diverse skills and experiences represented at a board level."

"Independent directors at asset management firms have an inherent conflict of interest", explains Paul Spendiff, head of business development for fund services at Ocorian. "They serve two masters: the shareholders of the asset management firm and the investors in the funds."

FCA 2023

In its 2023 report, 'Updating and improving the UK regime for asset management', the FCA notes that the current system consists of rules structured around EU legislation. Based on a range of EU directives and regulations, there are often issues of clarity and consistency for UK firms, increasing costs and enhancing operational challenges.

This approach, by which requirements from different regulations are incorporated into the swirl of the UK regime, has led to confusion. The UCITS Directive, AIFMD and MiFID all affect asset managers, but due to differing law-making processes and various unaligned amendments, advice around key functions such as conflict of interest management and outsourcing are duplicated and inconsistent. This could emerge around technical details, resulting in identical or similar activity being regulated to different standards and companies unsure which approach to the rules they should be taking. It seems unsurprising, then, that confusion arises when it comes to regulatory compliance. If there are three different lists of instructions to follow, how do you know which is right? This could be another factor contributing to the lack of challenge seen from iNEDs, as highlighted by the FCA and the IoD in 2021.

"Despite the requirements of the FCA Rulebook, the conflict of interests for Authorised Corporate Directors in particular is too great"

Paul Spendiff, Ocorian

"I think that despite the requirements of the FCA Rulebook, the conflict of interests for Authorised Corporate Directors in particular is too great," muses Ocorian's Spendiff.

Finding fixes

Concluding its 2021 report on fund governance, the Institute of Directors (IoD) made a series of recommendations to the FCA on how the UK's fund governance framework could be improved in order to rebuild trust and ensure investor protection. The first of these is to "improve the credibility of independent directors in their oversight of funds on behalf of investors by strengthening their independence from investment managers". This could take the form of transferring directorial appointment responsibilities to the FCA, guaranteeing that independent directors are qualified, truly independent and more trustworthy. Another suggestion is for the UK to lean into the US approach by appointing independent directors directly to the board of the fund entity, rather than the board of the AFM.

"The UK industry is more closely aligned to the US now than it was prior to Assessment of Value and Consumer Duty" says Devin McCune, vice president of regulatory and compliance at Broadridge, stating that regulatory oversight is now "very similar" to primary oversight responsibility in the US. However, he adds that these requirements are "in their infancy" and that "there is much learning and improvement occurring to the process". He believes that fund oversight will improve as INEDs develop deeper knowledge of both the funds they are working with and the overall operational challenges that are confronting asset managers.

images by michael_flippo/stock.adobe.com

"We anticipate that consumer protection regulations will be strengthened, accompanied by clarifications concerning fund management techniques"

Titus Noltenius, Universal Investment

The IoD's report also proposed the introduction of formal training for independent directors, along with increasing the scope of responsibilities that independent directors take on. This could include topics such as liquidity and investment sustainability, the IoD suggests, covering a broader range of investor concerns.

What appears to be the most obvious of solutions is the creation of a single rulebook, consolidating divergent guidelines and helping to boost the attractiveness and competitiveness of the UK market to domestic and international players. In a February 2023 consultation paper, the FCA asked for feedback on whether this would be a beneficial move to make, taking into consideration the potential costs and difficulties that the process could cause.

Unfortunately, any resolution that seems too good to be true usually is. As Joe French, managing director of Ocorian subsidiary Newgate Compliance, puts it: "If it were that easy, the FCA would have fixed it by now."

A single rulebook would certainly help to improve consistency in the industry, French continues, and could improve clarity for industry participants if created with sufficient consultation, guidance and industry collaboration. However, oversimplification could present further issues.

Embracing a principles-led approach could leave too much space for subjectivity, "creating uncertainty and potential mistakes", he explains.

Additionally, the broad spectrum of asset classes and structures that would come under the regime makes the creation of a single, comprehensive rulebook challenging. "Losing proportionate regimes, especially for diverse assets like real estate, might raise concerns."

AIFMD

AIFMD was put in place in 2011, having been developed after the 2008 Financial Crisis. The directive aimed to regulate fund managers for alternative investments in what had been, up until that point, a less regulated sector in the EU.

With primary goals of investor protection, through stronger information disclosure compliance requirements, and a removal of systemic risk from the EU economy, the directive demands that asset managers identify conflicts of interest, promote fairness towards investors and ensure that disclosure, risk management and remuneration practices are applied appropriately.

Additionally, minimum capital requirements were introduced for funds (protecting against one of the instrumental factors that led to the 2008 crisis) and a number of safeguarding methods were implemented, delivered via custodians and depositories.

Looking towards the next iteration of AIFMD, "we anticipate that consumer protection regulations will be strengthened, accompanied by clarifications concerning fund management techniques", says Universal Investment's Noltenius.

He expects increased scrutiny around conflicts of interest, with a focus on disclosure obligations and checks.

"One change that would be welcome is to change the LTAF from an authorised to an unauthorised fund", Ocorian's Spendiff comments. He explains that one of the biggest contributions to low take-up has been the requirement for LTAFs to be operated by an authorised fund manager, few of which have experience of real assets.

Additionally, "few real asset managers have the ability or desire to become authorised managers" due to the "significant additional burden" that this places on them.

Noltenius predicts that asset management practices will also be in the line of fire, "particularly regarding the use of liquidity management tools and the handling of valuation uncertainties".

What's in the way?

In 2021, the IoD stated that there was "a pressing need to rebuild trust among ordinary investors" after a number of asset management industry scandals. Although consistent attempts have been made to improve oversight practices and operational resilience, there is still a way to go.

In spite of AIFMD's intentions, and the intentions of the multitude of other fund oversight regulations and initiatives across the market, incidents of oversight faults and preventable, or minimisable, crises continue to emerge. The collapse of the LF Woodford Equity Income Fund in 2019 prompted finger-pointing at Northern Trust, as the fund depository, and Link Funds Solutions, as its Authorised Corporate Director (ACD), with the thought that they had failed in their fiduciary duties. Indeed, a number of items have come to light that show significant and continual lapses in judgement from overseers, bringing into question the efficacy of protective regulation and doing little to improve trust in the industry.

Spendiff explains that the UK's authorised manager regime is no longer fit for purpose. "It reflects a time when the expectation was that the investment manager of a fund would be responsible for all aspects of its management, including transfer agency, fund administration and valuations," he says. Even though these activities are generally outsourced they remain, technically, the responsibility of the authorised manager. Unlike in Europe, they are not regulated in their own right and go under-checked.

"There's no real impediment to effective fund oversight, however the industry would greatly benefit from the establishment of a more uniform regulatory, legal and tax framework," Universal Investment's Noltenius shares. Such a system should harmonise regulation for both retail and professional investors, align with international standards and facilitate a "level playing field" for those involved in asset management. Implementing a "dedicated monitoring system" is essential to keep up with a constantly evolving legal landscape, Noltenius says. However, he acknowledges the financial barriers that may prevent smaller firms from bringing in such systems. The high cost of keeping up with regulatory changes "may result in fewer companies being able to compete", he says, "possibly reducing the range of choices available to investors".

Broadridge Fund Communications Solutions' Johnson adds that "a constantly changing regulatory landscape is making it difficult for boards and managers to remain fully versed on regulatory changes that impact the funds they oversee".

"A constantly changing regulatory landscape is making it difficult for boards and managers to remain fully versed on regulatory changes that impact the funds they oversee"

Stephen Johnson, Broadridge Fund Communications

This issue becomes even more complex for global companies, which must keep up to date with a range of jurisdictions.

On top of that, Johnson observes that fund investments themselves have become more complex; fund structures are often complicated, making it "extra difficult to understand precisely what oversight is required". All those involved in the oversight process need to be well versed in the "benefits and pitfalls" of new fund strategies, "fully understanding the risks that they can introduce" and challenging them sufficiently.

"A consistent approach to new regulations and increasing alignment on existing regulations would reduce complexity and help oversight," he states.

Conclusion

Fund oversight processes are currently well intentioned but deficient. The industry is yet to develop a truly effective approach, something illustrated by a number of high-profile cases that have received publicity beyond the financial world and have become mainstream news stories.

The industry needs to continue to set effective checks and balances in place, to tighten its fund governance and value assessment frameworks, and to learn lessons from recent failures of fund oversight. These steps are important to prevent history repeating itself. ■

Oded Weiss
Managing director
Temenos Multifonds

A step ahead

At this year's Asset Servicing Times Industry Excellence Awards, held in early November, Temenos Multifonds went home with the Funds Technology Provider of the Year award. Managing director Oded Weiss discusses the company's achievements to date and its plans for the future

Lucy Carter reports

Temenos Multifonds offers investment accounting for both traditional and alternative funds, providing a range of services including workflow and exception-driven processing, intelligent reporting, explainable AI capabilities and integrated Investment Book of Records and Accounting Book of Records views across a broad range of assets and jurisdictions.

With data a consistent problem in operations across the industry, Temenos Multifonds gives clients and stakeholders access to operational data through real-time data-marts and flexible business intelligence reporting tools.

Through these provisions, the firm aims to increase operational efficiency for clients, using enhanced automation and explainable AI for exception management.

The service also enables the consolidation of fragmented systems onto a single platform, and supports clients launching new products and entering new markets.

Speaking to AST following the win, Oded Weiss, managing director, discusses the ways in which Temenos Multifonds stands out from the competition, how the company is approaching some of the biggest challenges in the funds industry and what's in store for the year ahead.

Weiss has been the CEO of Multifonds since 2009. In 2015 he sold Multifonds to Temenos.

What makes Temenos Multifonds stand out from the competition?

"What makes us stand out is our ability to not just send our clients the software to use, but to actually help them use that software in the best, most efficient way," he says.

"We help them to add more funds, more portfolios, and to use all the efficiencies and capabilities of the platform. That's something that is distinctive to Multifonds."

This differentiation has helped the firm to see considerable growth; "today, we have more than 30,000 funds on the platform, and trillions of assets," Weiss shares.

"We're the only [company] that has such a good track record."

Bringing scale to private equity

With the accelerated pace of financial services, "times are more challenging", Weiss affirms. "Things that used to take years are expected to happen in months, things that used to take months are expected to get done in weeks." As a result, "we have to be extra focused with our clients," he says.

Another trial that the funds industry is currently facing is "the retailisation of the private equity space following the revised

"It's not just about delivering software or technology, it's about successfully migrating the assets to the platform and helping the client to use it in the best way possible."

European Long-Term Investment Fund framework (ELTIF 2.0)," Weiss observes.

Set to apply from January 2024, the ELTIF 2.0 regulation addresses some of the challenges around the original 2015 legislation, including barriers to participation for retail investors, a restricted range of assets that could be invested in and limited diversification within funds.

"Being able to offer the same assets to retail clients is something that everyone is struggling with," Weiss says. The ability to scale up private equity operations to manage thousands of investors in more complicated structures is the biggest challenge that the industry has to face, he explains, and "there are not many software providers that know how to do that."

Weiss expects that ELTIF 2.0 marks "the beginning of a trend" of retailisation. "We see it growing now, and we're confident that it will continue to grow dramatically in 2024 and 2025." In order to prepare, Temenos Multifonds "has invested quite a lot to be able to help our clients," he assures.

SaaS and explainable-AI technologies: execution and immediate impact is more important than "buzzwords"

"Everyone's talking about application programme interfaces (APIs) and software-as-a-solution (SaaS) and generative AI," Weiss states. "Those are the buzzwords that you hear from everyone."

But simply talking about the latest trends is not enough, and provides no added value for the client. Weiss emphasises the importance of "finding the right use cases to deploy this technology, finding situations where you can actually have a real impact on the client."

The Temenos Multifonds platform highlights its use of explainable-AI (XAI) technology, which serves to enhance manual exception reviews. By automatically identifying false positives, resources can be more efficiently allocated to real exceptions and address unprecedented events. The 'explainable' part of XAI comes from the human-generated explanations attached to each decision and exception that the technology makes, boosting transparency and scalability of the service.

"There are a lot of companies and fintechs that are telling the same story," Weiss says. But, at the end of the day, "it's not just about delivering software or technology" to the client. "It's about successfully migrating the assets to the platform and helping the client to use it in the best way possible."

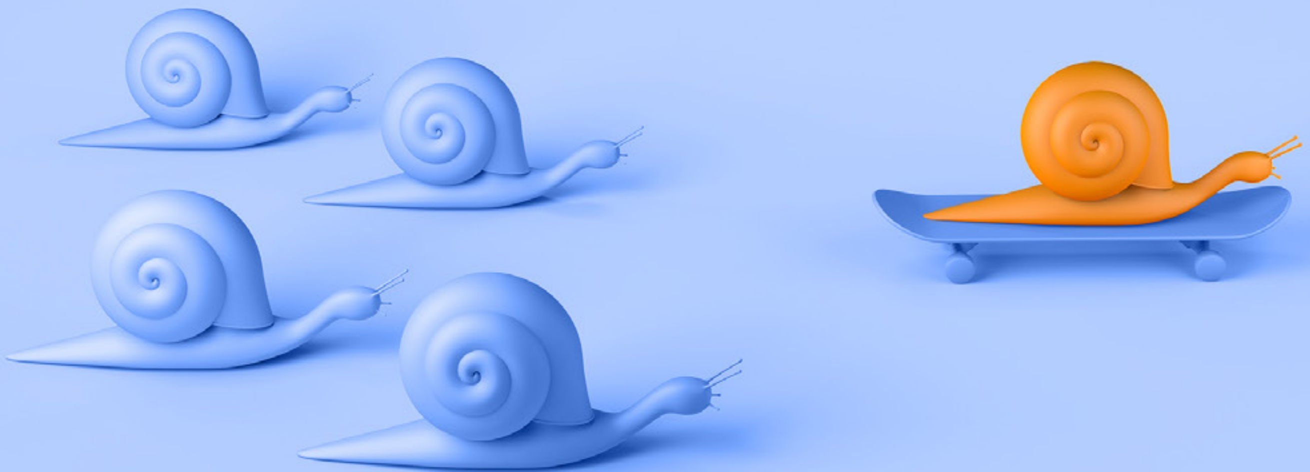
Looking into 2024

As "the only global platform that crosses asset classes and jurisdictions, doing what we do is quite challenging," Weiss states. Although markets have their own local providers, as a global provider Temenos Multifonds is active across the world.

Looking ahead to 2024 and beyond, "we will continue to invest in more markets, in being able to give tier one global administrators and asset managers the ability to run everything, across asset classes and across jurisdictions, on one single platform," Weiss affirms.

"There's a lot to do, and a lot to continue to do," Weiss states, but it's certain that Temenos Multifonds' priority will remain on the organisations using its services. "We're going to continue to invest, extend our reach, extend the depth of our capabilities and support our clients." ■

Keeping you ahead since 2011



asset servicing times

www.assetservicingtimes.com

ALFI appoints Serge Weyland as director general

The Association of the Luxembourg Fund Industry (ALFI) has appointed Serge Weyland as director general, effective 1 January 2024. Emmanuel Gutton has been named as deputy director general.

Weyland replaces Camille Thommes, who has held the director general role since 2007.

Weyland has more than 25 years of industry experience, and joins ALFI from Edmond de Rothschild Asset Management. He has been CEO of the Luxembourg-based firm since 2017.

Prior to this, Weyland was head of financial institutions at Banque Internationale à Luxembourg and head of regional coverage for North America and the UK at CACEIS.

Gutton has more than 20 years of industry experience, and has been with ALFI as director of legal and tax since 2020.

Prior to this, he was head of legal and conducting officer at Pictet Asset Management Luxembourg, and spent more than five years with legal services provider Elvinger Hoss Prussen in both Luxembourg and Hong Kong.

On his departure from the role, Thommes says: "I sincerely thank my team, the ALFI governing bodies and our members for the trust over all these years. It's been a privilege to serve our industry. I wish a successful continuation to Serge and the entire team. ALFI will be in good hands."

Weyland comments: "Camille has built an impressive team and has made an invaluable contribution to the success of the Luxembourg fund industry." ■

Craig Nickerson joins Xceptor

Xceptor has appointed Craig Nickerson as chief financial officer, effective January 2024. He will also join the company's executive leadership team and board.

In the role, Nickerson will be tasked with executing Xceptor's growth strategy, optimising value creation and managing investor relations. He will report to Xceptor's CEO, Michiel Verhoeven.

Nickerson has more than 25 years of industry experience and joins the company from software firm RSA Security, where he was chief financial officer.

He has held a chief financial officer position at a number of firms, including software companies AFS Technologies, insightsoftware and SaaS firm SAVO Group.

Commenting on his appointment, Nickerson says: "Xceptor's data automation platform and its ability to manage the most complex, unstructured data are unparalleled.

"Being associated with a firm that has a reputation for scalable, trusted technology, and is supported by industry leaders and top-tier firms, is truly rewarding. I am thrilled to have the opportunity to play a role in this pivotal phase of evolution, contributing to Xceptor's ongoing financial and operational success."

Verhoeven comments: "[Nickerson] is an accomplished, internationally experienced CFO with a consistent track record in enhancing shareholder value.

"His dynamic, forward-thinking approach to both business and financial strategy will be central to our continued growth as we further develop our data automation capabilities, grow our client base and develop new product offerings."

Petra Sjögerås named head of Nordics at Northern Trust

Northern Trust has announced Petra Sjögerås as head of the Nordic region. She has been the acting head of the region since April 2023. This confirmation follows the recent appointment of Mikkel Mördrup as head of sales for the Nordics.

Sjögerås joined Northern Trust in October 2022 from SEB as head of depositary services for Sweden. She has experience in client management, sales and depositary services.

Hazeltree appoints Scott Metro to lead cybersecurity strategy

US-based software company Hazeltree has appointed Scott Metro as chief information security officer.

Metro will focus on developing and leading Hazeltree's information security programme and securing comprehensive industry-endorsed certifications for its platform.

Based in New York, Metro will report to Hazeltree chief technology officer Richard Winter.

Metro brings more than 25 years of experience in implementing secure processes and systems while leveraging emerging technology.

Previously a partner at PwC, Metro led the Financial Services Trust and Transparency Solutions practice for the US. His group was responsible for performing independent controls attestations, such as SOC 1 and SOC 2, for some of the largest financial institutions in the US.

Alan O'Sullivan promoted at BBH

Brown Brothers Harriman (BBH) has appointed Alan O'Sullivan as global head of the financial institutions business. In his new role, O'Sullivan will be responsible for the business' global clients and overall growth, overseeing custody delivery, technology and data solutions.

The financial institutions business aims to grant its bank clients access to new revenue sources, enable more efficient data and technology platform management, and allow them to differentiate in competitive markets.

O'Sullivan has more than 25 years of experience with BBH, and is currently a principal of the firm. He has held a number of senior roles at the firm, including more than 11 years as managing director of European business development.

He is currently director of BBH Fund Administration Services in Ireland and the BBH Luxembourg Fund. In addition, he is a member of the company's European steering committee.

Scott Young named senior manager of Alpha Alt Fund Services

Alpha Alt Fund Services has announced Scott Young as their new senior manager.

Young has more than two decades of industry experience, and was recently a director in charge of corporate compliance at Carta. In this role he was the manager of four individuals within the transfer agent, broker-dealer and operational compliance functions of the company. ■

Yealand Fund Services hires Aoife McCarthy as non-executive director

Aoife McCarthy has been named as a non-executive director on the Yealand Fund Services board. McCarthy joins Yealand Fund Services from Applerigg Limited, where she was an investment manager. She spent the prior eight years at Credit Suisse and Deutsche Numis, where she was an investment banking associate director.

Yealand Fund Services won the award for the best Client Service For Fund Administration at the 2023 Asset Servicing Times awards.

Following her appointment, McCarthy says: "I am very pleased to join the great team at Yealand at an exciting time in the company's growth."

Rob Leedham, CEO of Yealand Fund Services, adds: "I am delighted to welcome Aoife to the Yealand Fund Services board, who brings her trained investment eye and knowledge to the team. We are all looking forward to working with her as we continue our strategic growth and development plans." ■

A Canadian Leader in Sub-custody

With more than 1,800 professionals exclusively focused on servicing Canadian investors and global investors into Canada, CIBC Mellon can deliver on-the-ground execution, expertise and insights to help clients navigate the Canadian market. Leveraging the technology and scale of BNY Mellon, a global leader in investment servicing, and the local presence of CIBC, one of Canada's leading financial institutions, CIBC Mellon has the experience and the capabilities to help you succeed in Canada.

- Canadian custody and sub-custody
- Canadian correspondent banking[1]
- Broker-dealer clearing
- Securities lending[2]
- Brokerage[1]
- Investment fund services
- MIS (NEXEN, STP scorecard, trade match report card)
- Data analytics[2]

[1] Provided by CIBC
[2] Provided by BNY Mellon

Learn more, contact:
Richard Anton at +1 416 643 5240
Lloyd Sebastian at +1 416 643 5437
www.cibcmellon.com

CIBC MELLON

©2023 CIBC Mellon. A BNY Mellon and CIBC Joint Venture Company.
CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks, is the corporate brand of CIBC Mellon Trust Company and CIBC Mellon Global Securities Services Company and may be used as a generic term to reference either or both companies.