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Rethinking cost disclosure

Will UK-listed investment companies be AIFMD exempt?

Onwards and upwards

Industry experts share their predictions for the year ahead

All at once

Data management continues to prove problematic

Industry Appointments

Amicorp welcomes Eric Chow and Joost Lobler

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Lead news story

ESMA releases EU CCP supervision review

The European Securities and Markets Authority (ESMA) has published its annual peer report on the supervision of EU central counterparties (CCP) by National Competent Authorities (NCAs).

The report measures the effectiveness of NCAs' supervision of CCPs' due diligence and review process of clearing members, in line with requirements outlined in EMIR.

ESMA found that the majority of CCPs participating in the review "broadly met supervisory expectations", and noted that assessments of CCP compliance processes were consistently assessed by NCAs.

While some NCAs were found to have ensured compliance with certain deadlines under EMIR after the end of the review period, ESMA's report offers an "overall positive" assessment of NCAs' supervision of CCP governance compliance.

A need for further promotion of convergence, in regard to continuous monitoring of CCP members' operational capacity, was noted by the report. The association will identify tools to enhance this moving forward, it states.

In response to the report's findings, ESMA has issued a series of recommendations to NCAs that only partially met expectations. ■

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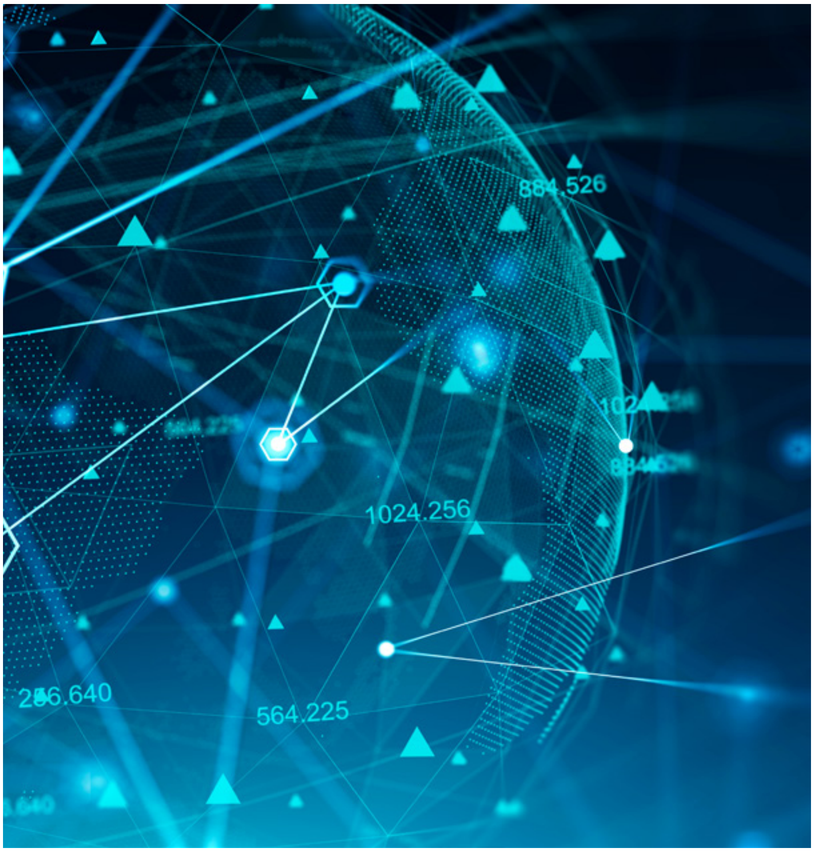

Davy Capital Markets goes live with Torstone

Davy Capital Markets has successfully deployed a solution on Torstone Technology's post trade platform.

The capital markets firm is using the platform to help with both middle and back office processing and bolster its operational efficiency and regulatory compliance.

The platform offers regulatory reporting, general ledger accounting and reconciliations as well as CREST, Sub-Agent and Euroclear Ireland settlement. The platform is designed to streamline post-trade processes for financial institutions.

Brian Collings, CEO of Torstone Technology, says: "We look forward to continuing our partnership with Davy Capital Markets as they evolve and grow, providing them with the flexible, scalable solution they need to meet their clients' demands and stay ahead in the ever-changing financial landscape."

Allison Connolly, head of capital markets operations at Davy Capital Markets, comments: "With [Torstone Technology's] innovative SaaS platform in place, we are confident in our ability to meet the evolving demands of the financial industry." ■

ESAs propose extending the EMIR equity option exemption

The European Supervisory Authorities (ESAs) have published the joint draft regulatory technical standards (RTS) under the European Market Infrastructure Regulation (EMIR).

The ESAs are composed of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

The RTS aims to provide clarity to market participants on how to handle equity options from 4 January 2024, when the current temporary exemption is set to expire.

More specifically, the ESAs are proposing to extend the temporary exemption and are issuing a no-action opinion which includes clarifications on the supervisory expectations.

This interim solution comes amid the ongoing EMIR Review negotiations, which are expected to provide a decision regarding the treatment of equity options with respect to bilateral margining. ■

Edaa delays shortening settlement cycle

Edaa, Qatar’s central securities depository, has postponed the jurisdiction’s shift from a T+3 to a T+2 settlement cycle. The move, which was originally scheduled for 2 January 2024, has been pushed back to March. This decision was made in response to custodian requests, and was coordinated with the Qatar Financial Market Authority (QFMA).

Edaa CEO Sheikh Saif bin Abdullah Al-Thani assures that the company’s infrastructure is prepared to implement the shorter cycle. However, he explains that this longer preparation window will allow market participants, financial intermediaries and custodians to update their systems and notify clients of new procedures.

This will benefit the Qatar financial market as a whole, he adds, encouraging greater investments in securities and providing a faster environment process turnover service.

A shorter settlement cycle aims to improve Qatar’s presence in global capital markets. ■

Alter Domus expands administration capabilities

Alter Domus has introduced new capabilities to its fund administration suite, designed to support the launch and ongoing administration of open-ended private market funds and closed-ended private market funds with liquidity management features including European long-term investment funds (ELTIFs).

The suite currently includes fund formation, investor and transfer agency services, investor and regulatory reporting, fund accounting, cash management, capital administration and tax services.

The new open-ended fund solution now supports increased frequency of net asset value calculation and facilitates more streamlined settlement processes, Alter Domus says.

It also allows for increased connectivity to distribution networks for settlement of trades and provides more responsive functionality for complex distribution channels.

In order to account for an increased volume of liquidity events, the suite includes enhanced investor and regulatory reporting functionalities.

Doug Hart, CEO of Alter Domus, says: “Increased appetite from individual investors in private assets, coupled with regulatory tailwinds such as ELTIF 2.0 in the EU, and redefinition of accredited investors in the US, are creating significant opportunities for our clients to serve a broadening base of investors.

“As a leader in our space and a trusted partner to our clients for more than 20 years, we’re committed to being ahead of the curve to deliver the solutions they need to explore new fund structures and seize the opportunities in front of them.” ■

SIX partners with TCS

SIX has partnered with Tata Consultancy Services (TCS) to help modernise its post-trade platform for the Swiss market.

SIX's mission-critical core platform was originally built by TCS in the 1990s and currently processes more than 4 million transactions per day across more than 60 global markets.

The updated platform has been streamlined to create a transformation strategy and an open systems environment, offering greater flexibility and security.

Arturo Merino, head of IT securities services at SIX, says: "We are conscious of the pressure and high expectations that we have put on TCS for the most complex project in recent years, but the TCS team has lived up to the expectations with an outstanding level of commitment. Our main goal is becoming more customer-centric and user friendly and we have achieved it with the platform upgrade." ■

AFME responds on EU settlement cycles

The Association for Financial Markets in Europe (AFME) has issued a response to the European Securities and Markets Authority's (ESMA) consultation on shortening settlement cycles in the EU.

AFME states that it fully supports the notion that any decision to shorten settlement cycles in the EU should be based on proper cost-benefit analysis. AFME believes that the potential broader market impacts on trading and competitiveness in EU markets must be considered.

AFME continues to argue that any move to T+1 must be effected in a way which mitigates possible risk and does not damage existing levels of efficiency.

It further argues that a coordinated approach across Europe, including EEA countries, Switzerland and the UK is required.

The association says that the North American adoption of T+1 in May 2024 is a chance to assess and incorporate 'lessons learned' before making a decision in Europe.

However, it states that adopting T+1 in Europe may pose differing challenges. ■

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Waverton Investment Management picks Northern Trust

UK-based independent investment manager Waverton Investment Management has selected Northern Trust to provide integrated trading solutions as it plans to expand its product range and investment capabilities.

Northern Trust's integrated trading solutions (ITS) outsourced trading desk will support the firm's equities, derivatives and fixed income asset trading as its sole trading services provider.

The ITS suite helps clients to reduce cost and risk while managing regulatory compliance, improving operational efficiency and increasing transparency, Northern Trust says.

Michael Allen, chief operating officer at Waverton Investment Management, says: "Outsourcing our trading to Northern Trust provides Waverton with access to global markets, high-quality liquidity and operational scale.

"In addition to both organisations' strong service ethos and cultural fit, we are confident this combination delivers the service and operational resilience we require to support our growth aspirations."■

BNY Mellon rolls out Proxymity's VCT in the UK

BNY Mellon has adopted Proxymity's digital proxy voting service, Vote Connect Total (VCT), for UK clients in advance of the 2024 voting season. VCT provides an end-to-end digital connection that improves the accuracy, speed and transparency of the voting process, Proxymity says. BNY Mellon clients will be able to leverage golden source data and deliver investor communications in real-time. The service also facilitates a wider voting window, extended meeting deadlines for connected issuers and includes access to Proxymity's post-meeting vote confirmation service.

This announcement follows the firms' rollout of VCT in France and Belgium earlier this year, and marks the third major global custodian to connect to the platform in the UK. ■

Link Group to be acquired by MUTB

Mitsubishi UFJ Trust and Banking Corporation (MUTB) has signed a Scheme Implementation Deed (SID) to acquire 100 per cent of the issued shares of Link Administrations Holdings (Link Group).

Based in London, MUTB is a consolidated subsidiary of MUFG.

The purchase is expected to take place from June 2024, with the acquisition conducted through a Scheme of Arrangement (SOA) under the Australian Corporations Act.

Implementation is subject to the approval of Link Group shareholders, the Australian court, the Australian Foreign Investment Review Board and relevant regulatory authorities.

By granting access to Australian funds, the acquisition will allow MUFG to continue its global business expansion, the company says. ■

Northern Trust reappointed by HOOPP

Northern Trust has been reappointed as asset servicing provider for the Healthcare of Ontario Pension Plan (HOOPP).

Northern Trust is responsible for providing global custody, foreign exchange and securities lending services for the CA$103 billion fund.

Katie Pries, president and CEO of Northern Trust, Canada, says: “This decision is a testament to the successful relationship we have built together over the last 18 years, and we look forward to continuing our collaboration to support HOOPP’s mission.” ■

Levelling the playing field?

Proposed legislation in the House of Lords is seeking to remove UK-listed investment companies from under the remit of AIFMD regulation, a proposal that would affect one-third of FTSE 250 companies and change the complexion of the British investment market

Jack McRae reports

Baroness Ros Altmann sits back and relaxes after finally winning a battle with technology to start the Zoom call. Wearing a casual grey Nike sweatshirt and leaning back in her chair, it appears to be an uncharacteristic look for the member of the House of Lords and stalwart of British politics, who is once again, in her words, looking to 'level the playing field'. She is, however, keen to stress that she is not alone in her mission.

"It's not just me. There's a whole group of people. I'm just kind of hanging on in a way." Altmann laughs off the suggestion that she is responsible for freeing investment groups from the constraints of regulation. "I was just lucky enough to get the bill drawn in the [private members bill] ballot."

On November 22, Altmann introduced her Alternative Investment Fund Designation Bill in the House of Lords. The bill seeks to amend the 2013 Alternative Investment Fund Managers Directive (AIFMD) regulation to remove listed investment companies from being categorised as alternative investment funds.

Altmann explains her motivations behind the bill. She says: "I felt so strongly that legislative change might be needed because the regulator [the Financial Conduct Authority (FCA)] and the government have been made aware of the crisis that has arisen in the investment trust sector and nothing has been done."

Altmann places heavy emphasis on the word 'crisis', performing it, almost as if she is coaxing support from the benches in the Houses of Parliament, rather than just chatting on our one-on-one Zoom call. This style comes naturally to Altmann, the former Secretary of State for Work and Pensions, who has built her reputation as the leading UK pensions expert not just through her doctorates, but her devoted activism and drive for pension reform.

In both pronunciation and repetition, Altmann is insistent there is a crisis.

Crisis? What crisis?

Under the current AIFMD legislation, listed investment companies are considered as alternative investment funds. Altmann argues that this 'misnomer' means that these listed companies have been "swept into the same bucket as hedge funds, private equity funds, unit trusts and open-ended funds."

Altmann stresses that this designation laid the foundations for the current crisis, which has only reared its head in the last few years.

The first factor, Altmann asserts, is that all companies considered as alternative investment funds are required to disclose all ongoing costs, as per the EU-derived Packaged Retail and Insurance Based Investment Products (PRIIPS) and Markets in Financial Instruments Directive (MIFID) regulations.

Under PRIIPs, listed investment companies must publish their ongoing fund charges as the top line of their total costs — despite the fact that investors do not pay these fees. A discrepancy, Altmann argues, which makes UK-listed investment companies less attractive to an investor.

"All the EU competitors, or US competitors, don't disclose these exaggerated or fictitious costs as ongoing charges to their investors." Altmann explains, "so suddenly, retail investors were being told they were paying much higher charges [for their UK based investments] than they were and much higher charges than competitors who weren't following these rules."

Altmann continues to point towards the impact of the industry associations who, in their efforts to protect investors, have inadvertently escalated the crisis.

"The industry associations have increasingly looked to direct investors into low-cost investments, but ironically, at the same time, you've had the regulator telling everybody that they need to disclose these fictitious charges." Altmann lets out a frustrated laugh. "These two things are not compatible. You have to inform investors clearly and not misleadingly, but if you follow the European-type rules that only the UK has adopted, you are not being clear, you are actually misleading investors."

Mark Sherwin, senior adviser on financial reporting at the Investment Association, disputes Altmann's suggestion. He says: "Focusing too narrowly on cost, rather than the wider question of whether a product provides value, creates a risk that investors are guided away from products that may be better suited to their needs and goals and could lead to worse outcomes for them."

Sherwin continues: "A good cost disclosure framework will help investors and advisers to identify products with the potential to offer long-term value. The existing requirements have inadvertently caused confusion about fees for listed closed-ended funds, resulting in negative effects on investing decisions. As such, we welcome the growing consensus that the current cost disclosure regime is in need of a major overhaul, preserving transparency while providing more decision-useful information."

Altmann contends that the crisis has arisen because, in this case, the desire to be transparent and the desire to protect the consumer are incompatible. Her tone becomes suddenly serious again when it is suggested that, should her bill pass, investment groups may become less transparent and a potential cause for concern for investors.

"The idea of transparency and disclosure is well-meaning, I'm all in favour and have been campaigning for years for companies not to hide costs for consumers," Altmann says. "We seem to have gone from a system which didn't tell investors the charges they were actually paying, to one which tells investors that they're paying charges that they're not actually paying."

Seeing through regulation and legislation

"The cost disclosures put in front of consumers — whether on the Association of Investment Companies website, whether the investment company website or the investment platform — are nothing short of shocking." Sunil Chadda erupts as he unleashes a deluge of information. "There is no explanation as to what the various cost metrics and cost disclosures are or what cost items they include or exclude."

Chadda, an Ambassador of The Transparency Task Force (TTF) and as a Secretariat Member of the All Party Parliamentary Group on Personal Banking and Fairer Financial Services, explains he has been following Altmann's bill closely — with mixed feelings. Over the course of an intense half-an-hour, Chadda has demonstrated a fraction of his impossibly deep and intrinsic knowledge of the industry that has led him to contribute to over 40 FCA consultations. Similarly to Altmann, Chadda is sharply critical of the PRIIPs regulation. "The FCA owes all market participants an explanation and an apology," Chadda says passionately. "In my whole lifetime, PRIIPs has been the most incompetent and damaging regulation I've ever seen."

Despite their shared scepticism of the regulation and authorities, Chadda heeds warning on Altmann's bill.

"I really like [Baroness Altmann], she has been a force for good," Chadda explains. "But on this one, I think she's wrong. Simply because there has been a lack of consultation with the buyer side of the market. I think the FCA have been on the backfoot with this and it has been the government and the Treasury that have forced the FCA to act."

Chadda argues it is the responsibility of the FCA to ensure investment groups are transparent across the sector, regardless of size and stature of the company. He advocates for greater clarity and communication in the disclosure of costs paid by investors.

“The FCA needs to communicate properly with all market participants and not just the industry, because we’re the buyers,” Chadda stresses. “The investors are unaware about what is going on. I don’t think any investor group has been contacted and the TTF haven’t been invited to join in this. This whole conversation [on cost disclosure] has gone down one track involving one side of the market and has left the buyers side out.”

When drawn on possible solutions the FCA can implement, Chadda becomes incandescent, as if the answer is staring the authorities right in the face. “There should be different cost disclosure rules, depending on the structure of these investment companies. For these rules to be full and complete, they need to explain what costs are included and excluded — and why.”

Chadda’s extraordinary verve takes a downturn and his tone becomes more placid, lacking its usual vigour. He elaborates, with a tinge of hopelessness, “only by providing transparency through a clear and well thought out cost regime can confidence be restored in the market. But I have serious doubts as to whether that’s going to happen.”

The FCA responds

In response to the criticism levelled at them, the authority issued a short statement. A spokesperson for the FCA said: “The rules determining cost and charges disclosure are set in legislation, which we cannot amend. The government has committed to repealing the relevant legislation. Once this is done it will enable us to design and deliver a new comprehensive cost disclosure framework.

“Until then, we have provided interim measures that support better cost disclosure for investment companies. These are a step towards wider reform of the cost disclosure regime, but are not the long-term solution.”

The statement continued to provide further background information to the statement: “Where cost disclosure obligations are prescribed in legislation (e.g. PRIPPs legislation and UCITS disclosure requirements), the FCA cannot instruct firms to breach the law.

“We are aiming to consult on a new UK disclosure regime to replace PRIIPs in H1 2024. The new regime will emphasise proportionality and flexibility to deliver useful information that supports consumers to make effective investment decisions.

“We have already sought views from the market via our Future Disclosure Framework Discussion Paper, which we published in December 2022,” the FCA concludes.

What next for Altmann?

There are still a significant number of hurdles for Altmann’s bill to clear before it is ratified into UK legislation. The bill has to pass through its second reading, committee stage, report stage and third reading in the House of Lords, before the same stages are repeated in the House of Commons. Only then will the bill pass to its final stages in which final amendments and royal assent will be granted and the bill is turned into law.

Given the intricacies of policy making, Altmann’s bill is not going to be introduced into law just yet. But, does the Baroness see an end to what she considers to be a ‘crisis’?

“I do expect it to improve one way or another. These discounts are ludicrous. Either the funds will be taken over by foreign buyers on the cheap or you’ll get more buybacks. Neither of those is a satisfactory outcome.” Altmann says, “The logic would suggest this will improve. Given that we’re back to the discount levels that we saw in 2008 and other areas of the UK markets are not collapsing in this way, I would expect that it will improve. But that’s not meant to be investment advice for anybody.”

At the end of our second Zoom meeting, which had been split by yet another technical issue, Altmann becomes increasingly passionate. “I would hope, from the point of view of the national interest and growth and long-term sustainable growth, that this is sorted out much quicker than currently looks to be the case.”

The passion turns to what can almost be described as pleading. “The more people that complain to the government or the regulator about this the better.” Altmann persists. “If people aren’t happy about it, they should express their views as to why or how it needs urgent change. This shouldn’t be a leisurely thing.”

As urgent as Altmann may stress the crisis to be, there remain several questions her bill will have to answer — both from the industry and parliament. ■

The year ahead

Market participants offer their predictions for what should be an eventful year

Lucy Carter reports

A lot is set to change in 2024, from the continued development of groundbreaking new technologies, particularly AI, to North America's shift to T+1 — although just how much firms are looking forward to that may vary. The industry also faces lingering problems from 2023 and earlier, with data management demands on the rise and cybersecurity threats increasing and evolving at pace.

Sharing their thoughts on these issues and more, experts from across the industry spoke to AST about their predictions for the year ahead.

T+1

The dates on many people's minds as we enter a new year are 27 and 28 May — the North American T+1 implementation dates. Canada will be first, with the US following a day later due to the Memorial Day weekend.

"The transition won't be seamless, and the first year is likely to be bumpy, with regulators needing to take a cautionary view in the preliminary phase," says John Bevil, senior product manager for capital markets at Xceptor. However, "the market will rise to meet the deadline."

"The industry, overall, will meet the go-live date," assures Mike Sleightholme, president of Broadridge International, but agrees that not all are ready; "for some, it will come down to the wire".

"As a Canadian custodian, we are well prepared and largely ready to go to meet the needs of the industry and our clients," says Ash Tahbazian, chief client officer at CIBC Mellon. "Our custody system is currently settling trading activities across a wide range of settlement cycles including T+1 and T+0."

Experts expect a shorter settlement cycle will provide many benefits to the industry; the Canadian Capital Markets Association anticipates a reduction in credit, market and liquidity risks associated with settlement failure. David Smith, managing director for capital markets practice lead at Broadridge, adds that the move will have "far-reaching benefits globally", improving market efficiency and reducing counterparty risk, expediting recovery from market volatility and "paving the way for future advancements in market infrastructure".

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Alongside these benefits, however, "new risks will be introduced", warns CIBC Mellon's Tahbazian. Without an overnight batch processing cycle available, "post-trade activities—including reporting, reconciling, allocating block trades, and confirming trade details—will all have to be done on trade date".

It's already been acknowledged by many that moving from a T+2 to a T+1 settlement cycle will not simply cut available processing times in half. In reality, cut-off times will shave the window down to just hours. Especially for clients operating across borders, the time left to deal with the necessary processes in a T+1 environment will be significantly slashed. As a result, "we see many of our international clients and market participants using T+1 as a catalyst for strategic cloud-based automation projects," says Broadridge International's Sleightholme. This serves a dual purpose, ensuring that operations will be able to continue as North America makes its move while future-proofing for a potential shift to T+0 later down the line.

As it stands, sell-side suppliers are feeling the pressure most acutely, says Jeffrey O'Connor, head of market structure for the Americas at Liquidnet. "They have to invest now to reduce processing times, automate, and generally upgrade all things operationally when it comes to technology, people, and processes."

"In 2024, we can expect further innovation and digitalisation in market infrastructure," agrees Broadridge International's Sleightolme. "Technology such as DLT and AI will be at the forefront of executive minds as they look to further streamline their post-settlement operations."

A current priority for firms is "helping prepare clients to receive and deliver information more quickly, especially when making rapid adjustments", Tahbazian explains. Technology preparations are also in order, with automation, streamlining and on-boarding processes all requiring changes or upgrades.

North America is not the first region to take the leap into T+1 — India began its phased transition in early 2022 — and it is far from expected to be the last. "T+1 is a specter on the horizon for EMEA," says Paul Lynch, head of products at Equilend.

The UK Government's Accelerated Settlement Taskforce is expected to release its full report and recommendations by December 2024, while the European Securities and Markets Authority (ESMA) launched a call for evidence on the potential impact of a shortened settlement cycle in the final quarter of 2023.

James Pike, head of business development at Taskize, a Euroclear company, thinks that Europe needs to be hot on the heels of the US if it wants to maintain its global position: "The harsh reality of Europe's current liquidity woes is that if Europe does not replicate the US's shift to T+1 post next May, the flow of investment will continue to move from the continent into US equities."

That being said, while some are preparing for their own T+1 initiatives, others are raising concerns about APAC firms' readiness for the North American shift. The region may be left worse off by the transition, explains Magnus Haglind, senior vice president and head of products for marketplace technology at Nasdaq. "The reduced window for managing risk will make it more challenging for Asia-based firms seeking to access US markets," he adds, potentially reducing global participation in Asian markets and impacting international liquidity.

To remain competitive, Asian markets may "increase the ability to trade and settle out of hours," Haglind continues, "allowing markets to serve global asset types and hedge risk effectively". To make markets more attractive to global participants, technology upgrades and new liquidity drivers may be sought out in order to reduce costs, he suggests.

Cybersecurity

The past few years have seen more attention, and budget, allocated to cybersecurity. These investments are expected only to increase as time goes on, with Joe Latini, chief commercial officer at MUFG Investor Services, noting the impact that an increased quantity of retail investors will have on the space. These investors, "who are used to having account information at their fingertips", will expect the same data availability from alternatives markets, he says, requiring fund managers to "implement cutting-edge data security applications and infrastructure" and ensure that data remains protected.

Cybersecurity is clearly a priority across the board. From a UK perspective, Rory Doyle, head of financial crime policy at Fenergo, comments that "fraud prevention must be a top priority in 2024" for those operating in the jurisdiction. Following the Economic Crime and Corporate Transparency Act, firms found to have insufficient fraud prevention "could pay a heavy price".

Similarly, in the US, new SEC rules require the disclosure of any material cybersecurity incidents within days of their occurrence. Descriptions of firms' assessment, identification and management processes around material risks must also be shared. Broadridge International's Sleightholme adds that a focus on supply chain security in 2024 will produce "stricter audits, enhanced due diligence and increased surveillance of subcontractors". This enhanced oversight is anticipated in the withholding tax space, too, with WTax expecting additional controls to be introduced around automated processes such as submissions portals.

Under greater scrutiny, "providers must reinforce their security credentials through detailed reports and transparent practices", Sleightholme says. He advocates for collaborative approaches to information security, a strategy that he expects to increase in popularity over the year as firms "recognise the interconnected nature of our systems".

Following Sibos 2023's theme of collaborative finance, explored in AST Issue 327, the outlook for such initiatives appears hopeful. Although new technologies offer opportunity, they introduce an equal measure of risk to operations. AI will play "an ever-increasing role", WTax predicts, optimising data management and assisting with increasingly complex reporting compliance. However, bad actors will be able to access the same technology that is revolutionising the industry — as such, AI-specific and AI-powered defences must be invested in to avoid vulnerability, Broadridge International's Sleightholme affirms.

Looking at another area of technology development, Arnaud Misset, chief digital officer at Caceis, highlights the importance of robust data access security and data encryption technologies to avoid data leaks and enhanced decryption tools in the face of quantum computing progress — a space he expects to accelerate in 2024.

Data

Whether the issue lies around quality, quantity or accessibility, data is at the root of many of the most persistent problems for the financial services industry.

"Everything we do is shaped by having effective data," MUFG Investor Services's Latini assures, predicting "greater discussions regarding data ownership and management and how funds maintain investor and transaction data" in the year to come.

As operations continue to evolve at an ever-accelerating pace, regulation becomes increasingly complex and time consuming, progress is being hindered across the board.

Emerging technologies such as generative AI rely on strong data provisions, and unless real change is made soon the capabilities of such innovations will be limited.

"At a high level, poor data quality can lead to inaccurate risk assessments, missed opportunities, and reputational damage," says Conor Lane, operational lead for data consulting at Delta Capita.

Not only will decision-making be slowed, trends and patterns can be missed and market changes harder to respond to.

Despite knowledge of the many serious issues that result from poor data management, Coalition Greenwich recently revealed that a third of the market is still manually cleansing at least half of their data. With volumes on the rise, and in an increasingly competitive market, "such a complex and error-prone process cannot continue", says Xceptor's Bevil.

As new risks emerge and with stakeholder demands on the rise, "organisations must move faster and make defensible, data-based decisions", says CIBC Mellon's Tahbazian. In order to do so, data must be surfaced at speed in order to address market volatility and capitalise on opportunities, he explains.

Currently, the problem lies on the operational side, states Caceis' Misset. "The technology is available and mainstream", but issues arise surrounding data governance, format and comprehensiveness.

> "Major players will likely handle technology and operational aspects in-house, but smaller and medium size players will have to rely on third-party solutions to obtain the same benefits"
>
> **Arnaud Misset, Caceis**

While improvements are urgently needed, security must remain a top priority. Data is a crucial asset, and "there's a delicate balance between making it accessible and keeping it secure", CIBC Mellon's Tahbazian observes. Clients want easy access to data in order to make better, more informed decisions — but measures need to be in place to prevent unauthorised parties gaining access.On the bright side, a recent Nasdaq survey revealed that a third of firms across the post-trade ecosystem plan to offer new data reporting and analytics capabilities within the next three years.

Moving into 2024, Delta Capita's Lane expects four main areas to be prioritised in the space: data governance, data quality tools and processes, self-service data analytics and AI and machine learning integration. MUFG Investor Services's Latini agrees that work needs to be done in the latter spaces, stating that "put simply, you can't have effective AI in the industry without clean, precise data."

"Real-time data accuracy will increase in the coming year", predicts Equilend's Lynch, anticipating an embrace of vendor solutions that offer low-impact implementation to respond efficiently to regulatory obligations. "Major players will likely handle technology and operational aspects in-house, but smaller and medium size players will have to rely on third-party solutions to obtain the same benefits," Misset agrees.

Nasdaq's Haglind expects the North American shift to T+1 to "force the industry's hand and necessitate improvements in data quality and processing", and adds that cloud will be an essential distribution vehicle as firms seek to support reconciliation and work from a single source of truth.

Matt Barrett, CEO of Adaptive, also sees cloud-based solutions as playing a "critical role" as firms seek to deal with increasing volumes of data.

"As cloud-based technologies continue to evolve, we can expect data management and storage solutions to enhance further in terms of scalability, cost-effectiveness, reliability, and security," he predicts, democratising data access and allowing firms of all sizes to "harness the power of their data".

ESG

COP28, held in Dubai, once again brought global powers together in an attempt to accelerate the fight against the climate crisis. On 13 December, extensive and fraught talks finally garnered a joint promise to move away from the use of fossil fuels and towards clean energy.

This promise will have a significant impact on the financial services industry, which has been under increasing pressure from investors and regulators to improve its green credentials over recent years.

The coming year "will bring even greater recognition of the global climate crisis", says Diane Eshleman, chief sustainability officer at Delta Capita, recalling the various adverse environmental events of 2023. In line with this, "we foresee heightened regulatory and investor focus on ESG disclosures", affirms David Gilchrist, head of product development for fund services at Ocorian.

"Many institutional investors are at a tipping point as the value proposition on ESG continues to rapidly change and develop," says CIBC Mellon's Tahbazian, with a growing number of firms recognising the economic benefits of engaging with ESG initiatives and subsequently being more willing to engage in the space.

On a practical level, the need for regulatory compliance plays a significant role in firms' actions across the board. However, remaining compliant with ESG and sustainability regulations has posed a significant challenge to firms over recent years.

A primary issue is the lack of consistent definitions, with the very word 'sustainable' held in contention.

With regulators assessing ESG measures differently, firms creating their own labelling systems to describe what they're offering clients and the world at large increasingly wary of greenwashing and misleading or inflated information, it's no surprise that many are unsure who — or what — to trust.

While increasing awareness of — and scrutiny around — greenwashing has prompted tighter regulation and, in several cases, significant reputational damage, a new threat on the horizon is 'greenhushing'.

In brief, greenhushing is the practice of deliberately under-reporting or hiding their ESG initiatives and credentials in order to avoid investigation and accusations of greenwashing. This skews the picture of what the industry is actually doing to promote sustainability, and only worsens the lack of transparency in the ESG space. Hopes are high that focus will increase around disclosures and compliance in 2024, but it's important that clarity is a priority as the space continues to develop.

Data management is an issue across the industry — and the problem is especially clear around ESG. Collection and standardisation are "key challenges" facing the industry, says Géraldine Valentini, global head of corporate social responsibility at Caceis. Common sustainability measures aligned with Europe's Corporate Sustainability Reporting Directive (CSDR) are set to be published in 2024, covering non-financial data and enabling banks to manage their investments and financing more precisely.

"CSDR demands greater transparency from institutions around their risk approach," Valentini continues, with 'double materiality' — things that are important to both the company and society as a whole — enabling more accurate comparisons between firms' ESG approaches.

Valentini predicts that mechanisms for measuring and monitoring decarbonisation commitments will continue to improve during 2024. "Collectively, we have the potential to drive significant growth in the global carbon market," agrees Nasdaq's Haglind. To date, problems have arisen around flexibility, standardisation and connectivity when it comes to carbon market access, but recent technology developments are enabling improved market liquidity and interoperability between registries, he shares.

This year has witnessed a continuation of ESG's politicisation, with certain jurisdictions and political bodies taking a stand against sustainability endeavours in finance. Yet it's hard to ignore the substantial impact of the climate crisis, with Eshelman highlighting the "obvious adverse effect on the economy" that climate-related disasters can, and do, bring.

The International Monetary Fund acknowledges the "significant economic harm" and "worrying tail risks" that the climate crisis threatens, adding that lower-income countries are particularly vulnerable. It goes on to warn that "climate change can entail significant risks to macrofinancial stability", citing risks faced by nonfinancial corporate sectors as a result of climate damages and stranded assets. A refusal to see the measurable impacts of the climate crisis on the industry, if not the world at large, will in no way serve those who choose to see it as a purely political situation that seeks to harm their revenue.

Moving into 2024, it's vital that firms do not let up on their ESG initiatives now that the hype cycle has moved on to the next big innovations. It is no longer possible to ignore the effects of the climate crisis, and the financial industry must play its part in driving progress.

The stage is set

The implementation of T+1 in North America this May will likely determine the tone for the rest of the year, and will determine other jurisdictions' decisions on bringing in shortened settlement cycles. Along with technology advancements and market practice evolution, there's a lot to look forward to in 2024. ■

AI and T+1 have been two of the main hot topics at conferences this year. What do you think the big talking points will be in 2024?

Stephen Ashurst
Co-founder and CEO
Tokenbridge

Hyper-personalisation will emerge as an increasingly important topic in 2024. The ability to effectively match individuals with investments that suit their preferences has long been an elusive goal of managers and intermediaries. This means going beyond traditional demographic-based offerings to a more nuanced, real-time understanding of each investor's unique financial goals and risk appetite, powered by continuous learning algorithms.

> "Embracing the cloud will allow [firms] to boost operational resiliency and efficiency"
>
> **Trevor Negus, SmartStream**

Trevor Negus
Senior product manager (TLM Collateral)
SmartStream

With cash now expensive, optimised security collateral usage will come to the fore in 2024. Having a stable, reliable, resilient collateral management system has always been important, not least because the risk of missing a call can be expensive and reputationally damaging. The forthcoming Digital Operational Resilience Act (DORA) in Europe means fines can be imposed if resiliency is deemed insufficient, and critical incidents occur or are mismanaged.

Matt Barrett
CEO
Adaptive

2024 will see cloud migration intensify, primarily driven by exchanges ramping up efforts to fully transition to cloud-native operations — setting the stage for the rest of the ecosystem to follow suit. As the electronification of markets advances at fast pace, firms realise that embracing the cloud will allow them to boost operational resiliency and efficiency, and gain an edge over competitors.

Ash Tahbazian

Chief client officer

CIBC Mellon

What we're seeing in the Canadian market is that asset servicing is undergoing a transformative tech revolution, with predictive analytics, machine learning and other digital tools unlocking operational data, enhanced processes and client experience enhancements.

> "We must create an interoperable network to ensure the benefits are felt across the system"
>
> **Magnus Haglind, Nasdaq**

Magnus Haglind

Senior vice president and head of products

Nasdaq

Tokenisation is a theme that is only set to grow, where we expect an ever-greater focus on practical use cases removing inefficiency and operational risks across traditional finance. If it's going to be successful in the long run, we must create an interoperable network to ensure the benefits are felt across the system, and efficiencies not limited to individual projects or participants. Around 50 per cent of market practitioners see their peers and industry associations as key enablers in the advancement of growth projects — especially when it comes to building market liquidity, driving regulatory clarity, and developing industry-wide talent.

Adoption of new technology is contingent on the ability of market participant systems to interact with it, but if that requires a significant change process then participants will be unwilling to embrace the innovation, reducing overall benefits.

David Smith

Managing director for capital markets practice lead, Broadridge

In 2024, we can expect further innovation and digitalisation in market infrastructure. Technology such as DLT and AI will be at the forefront of executive minds as they look to further streamline their post-settlement operations.

"Quantum computing will have an impact [on] sensitive data encrypted in the past"

Arnaud Misset, Caceis

Michael Robertson
Head of UK consulting
Delta Capita

Decentralised finance will continue to drive focus next year. Regulation will be key to establishing a framework that encourages innovation while protecting consumers and maintaining financial stability. Initiatives like the EU DLT Pilot Regime and UK Digital Securities Sandbox further embrace blockchain technology.

"Successful firms will invest in people-based cultures to drive performance and innovation"

Joe Latini, MUFG Investor Services

Joe Latini
Chief commercial officer
MUFG Investor Services

With predictions of new capital flows in global alternatives from global mass affluent retail investors in the next three years, fund managers must work aggressively to refine the ways in which funds are created, marketed, and distributed. To attract larger numbers of retail investors, fund managers also will need to increase education for investment advisors and work collaboratively with retail investors to align new products and their investment strategies, and to ensure that costs and fees are clearly understood.

Secondly, funds are reengineering and increasingly outsourcing a wide range of services. Successful firms will invest in people-based cultures to drive performance and innovation, and will focus on learning and development so their teams can provide the best client experience.

John Bevil
Senior product manager, capital markets
Xceptor

The impetus for increased market interoperability as an enabler to operational efficiency and standardisation will see the likes of ISO 20022 continue to gain traction. These standards will continue to penetrate as part of regulations, such as the EMIR/UK Refit and CFTR rewrite programmes and will pose significant challenges for firms that ingest legacy data — another issue set to be topical.

> "[Interoperability standards] will pose significant challenges for firms that ingest legacy data"
>
> **John Bevil, Xceptor**

Brian Collings
CEO
Torstone Technology

The conversation will pivot even more towards automation and how automation can be further integrated into different aspects of financial operations, beyond just trade settlements. There's going to be a lot of buzz around how automation can enhance compliance, risk management and even customer engagement.

WTax

[There may be] growing demand for the use of electronic documents with more parties lobbying for the acceptance of e-signatures and the removal of tax office requirements for wet ink signed forms. Additional upcoming points of focus amongst industry players will likely include data and outsourcing. We also expect to see discussions regarding shifting investment trends in light of current interest rates.

Arnaud Misset
Chief digital officer
Caceis

Quantum computing will return to centre stage — the world is getting ever closer to "Q-day". Quantum computing will have an impact on new cryptography standards but also on sensitive data encrypted in the past, as 'harvest now, decrypt later' using quantum computing could cause major problems for global industry and governments.

Adam Cottingham
Head of asset servicing
SmartStream

There is an increasing focus on ISO 20022 adoption for corporate actions and meetings as the industry's network of custodians and service providers come to grips with what this change will mean. Technology readiness and interoperability between standards will be a critical success factor for a smooth transition.

What regulatory changes do you expect to see during 2024, and which do you anticipate will be the most impactful?

Brian Collings
CEO, Torstone Technology

The landscape of financial regulations in Europe, particularly concerning the potential adoption of T+1 settlement, will be a critical area to watch. The UK, post-Brexit, possesses a unique opportunity to pioneer this initiative ahead of Europe, setting a precedent for T+1 implementation and providing a blueprint that Europe could later follow.

> "The SEC has released four major market structure reform proposals which could transform the equity marketplace"
>
> **David Smith, Broadridge**

Eric Derobert
Head of public affairs, Caceis

There will be a focus on reducing burdens and rationalising reporting requirements. A target has been set for reducing the burdens associated with reporting requirements by 25 per cent, without undermining the policy objectives of the European Commission.

Deb Mason Lefkowitz
Chief legal officer, Allvue Systems

In the private capital space, registered private fund advisers will spend 2024 rushing to make operational and data collection changes to comply with the new rules adopted by the SEC under the Investment Advisers Act of 1940.

Among the collection of new rules approved in summer 2023 is the regulatory body's Quarterly Statement Rule. In an effort to comply, fund advisers will need to design new processes to collect this information and present it to investors in a clear way.

With the comply-by date falling on March 14, 2025 for all private fund advisers, the rule's impact will be felt throughout 2024. This forces advisers to consider a new level of data collection, access and organisation to their accounting and reporting operations — and to do so quickly. The good news is that with the right infrastructure supporting their back-office teams, it can absolutely be done.

Rory Doyle
Head of financial crime policy, Fenergo

The EU's single rulebook is coming into force on 1 January 2024. While the establishment of the Anti-Money Laundering Authority should harmonise standards and make things easier for cross-border trade and relationships, several tough hurdles remain for firms.

One of the most pressing will be the substantial reduction in the beneficial owner threshold for high-risk entities. This will have a profound impact on European financial institutions, who will be required to conduct a significant remediation project practically overnight. The fact that the workforce tasked with executing this transition is dwindling will only exacerbate the issue.

WTax

From a withholding tax perspective, the most impactful changes would be the European Commission's legislative proposal for a Council Directive, FASTER (Faster and Safer Relief of Excess Withholding Taxes). The Directive aims to make withholding tax relief procedures in the European Union more standardised and efficient. Should FASTER be adopted, we would expect EU Member States to undertake the passing of legislation to adopt the FASTER requirements. This would have widespread ramifications across tax authorities, withholding agents and the full custody chain.

> "In the private capital space, registered private fund advisers will spend 2024 rushing to make operational and data collection changes"
>
> **Deb Mason Lefkowitz, Allvue Systems**

David Smith
Managing director for capital markets practice lead, Broadridge

The SEC's central clearing of Treasury transactions will have a major impact on all industry participants, buy side, sell side and custodians. The SEC has also released four major market structure reform proposals which could transform the equity marketplace.

The Department of Labor has proposed the Retirement Security Rule which amends the definition of a fiduciary and expands on the SEC's Regulation Best Interest.

> "Consumer Duty and other consumer protection topics will be a key focus of the FCA"
>
> **Karan Kapoor, Delta Capita**

Steve Marshall
Director of advisory services, FinScan

Anti-money laundering (AML) regulations for digital assets are evolving. The Lummis-Gillibrand bill in the US has prompted significant discussion over the regulation of cryptocurrencies and will be closely watched worldwide.

In the UK, the government brought crypto assets within the scope of the Financial Services and Market Act 2000. The local market is already feeling the impact, with some providers choosing to exit. Those choosing to register will need to demonstrate they have the relevant AML systems and processes in place.

Aman Soni
Vice president of data strategy, Canoe Intelligence

The most impactful regulatory change we expect in 2024 is the provision of transparency data at the asset level, which would allow investors to build top-down exposure views across their public and private market investments, and truly enhance their ability to assess risks accurately.

Karan Kapoor
Global head of regulatory & post trade consulting, Delta Capita

A raft of new changes are being ushered in across transaction reporting requirements with EMIR REFIT to go live in the UK and EU, CFTC Rewrite phase 2 changes coming into effect as well as MAS and ASIC rewrites.

Consumer Duty and other consumer protection topics will be a key focus of the FCA with the final tranche of consumer duty go live in 2024 and kick starts of post implementation audits.

Paul Lynch
Head of products, EquiLend

The real impact of T+1 and 10c-1a won't be realised until sometime after go-live. Questions remain on how to execute and adapt to these changes, in addition to best execution versus cost with vendors.

> "There have been 47 proposals under the current SEC regime — double from the prior two administrations"
>
> Jeffrey O'Connor, Liquidnet

Jeffrey O'Connor

Head of market structure, Americas, Liquidnet

T+1 and AI are just two examples of a very aggressive SEC agenda. There have been 47 proposals under the current SEC regime — double from the prior two administrations.

The most headline-grabbing proposal was the Market Structure Overhaul. If implemented, these proposals will represent the biggest market structure alterations since 2005's Reg NMS. The negativity around these proposals is well established from all avenues of the financial market but maybe the most frustrating part is the SEC's lack of comment. The four pillars of the proposal run a range of near-zero industry participant approval to widespread support. At the very least, three of them are extremely controversial and complex.

There is a lot of concern that the ultimate strategy is to present a supreme level of change, walk back the severity a bit, and put dimmed down changes in place.

John Bevil

Senior product manager, capital markets, Xceptor

The EU's new AI Act and the US AI Bill of Rights are the first regulations with a dedicated focus on regulation, governance, and implementation of broad AI initiatives within financial sectors. This will have a substantial impact.

The US is preparing more stringent management of capital requirements as part of a proposed overhaul to capital rules under Basel III. This could affect banks and their capacity to participate in specific activities, as well as their ability to procure and analyse yet more data, including for reporting and reconciliation processes.

We anticipate efforts to align with revised approaches for aggregating and comprehending market risk. Meeting the updated criteria for capital requirement calculations, as well as the subsequent steps of reporting and reconciliation, is likely to pose additional burdens.

All at once

Whether the issue is quality, quantity or availability, data management is a persistent problem in the asset servicing industry

Lucy Carter reports

Effective data management is an issue plaguing the asset servicing business. With the quantity of data available constantly on the rise, reporting requirements evolving and increasing at pace and legacy systems still holding back a significant portion of the industry, "everybody I speak with has a problem in this area," says Steven Strange, head of product for asset management at ION Markets.

The range of data management headaches is constantly increasing, says Richard Anton, chief operations officer at CIBC Mellon. Standardisation, inaccuracies, expectations around the modelling of unique securities, performance result analysis and more all add to firms' workload.

Alongside increased data quantities comes greater security concerns. "There's a delicate balance between making data accessible and keeping it secure," he explains. "Our clients are seeking the ability to access, analyse and connect data to drive informed decisions" — but they must also ensure that only those with authorisation can retrieve that information.

"Navigating today's continuum is no easy feat," Anton continues. He suggests that the industry is "recognising a tipping point" and leaning towards advanced technological solutions and collaborative frameworks to improve the resiliency, efficiency, accuracy and timeliness of data for all market participants.

While data quantity has often been a challenge in the past, broader availability now is both a blessing and a curse. According to ION's Strange, the issue lies in "how you put the data into different applications, and how you check the quality".

Ensuring data quality and integrity is vital, but when a variety of sources are being drawn on, the process of doing so can be complex. Relevant reports need to be identified and run, and manual work remains a key part of the process. Even if aspects can be automated, these procedures "still generate a report that someone has to deal with", Strange comments.

With the industry currently facing "a huge range of disparate and disconnected data sources, both public and private. [CIBC Mellon] recognises the importance of enabling a more robust and diverse data supply chain as clients build for the future", Anton reports. The company aims to enhance the data security space, with selective sharing and more efficient integration high on the priority list. This is something that customers are demanding; there's "a need to create new products and services tailored to client opportunities and strategic direction", he confirms.

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"Regulators need to consider the amount of data behind reporting when they're coming up with these extensive rules. [...smaller firms are] often either going to make mistakes or become non-competitive in their own business"

Steven Strange, ION Markets

"Drawing insights from unstructured and disparate data is the most fundamental challenge facing the investment industry, particularly in the private market space," shares Davit Harutyunyan, director of product for data at Allvue Systems.

He goes on to say that companies are producing valuable data themselves, and in large quantities, but cannot extract meaningful insights from it due to inappropriate, inconsistent formats and multiple data silos.

These silos operate in "different dimensions", adds Will Thomey, co-head of business development at Acadia. These 'dimensions' may be based on process, around pre- or post-trade; market or transaction type; line of business, or any number of constraints, such as technological capabilities. As such, there is no authoritative source of data and firms "are often comparing their version of data to their counterparty or client", he concludes.

Reporting on the rise

On top of this, as in all areas of the industry, evolving regulation plays a role in the data management world. "From ESG to investor fee reporting, regulatory bodies around the world are implementing new rules that force investment managers to draw out new data and metrics that many have not had to report on before," says Allvue's Harutyunyan. These added obligations require faster and more accurate data management and require firms to make considerable changes to their operations.

In the US, "many private equity managers are grappling with the impact of the SEC's new reporting rules approved during summer 2023 for private fund managers", he continues. These rules, with a compliance date set for 2025, have left forms "scrambling" to track, collect and report relevant data each quarter. "Those who are already committed to a holistic, firmwide data strategy will have a far easier time solving this challenge." As this situation replicates across jurisdictions, it provides further motivation for firms to take action now.

ION's Strange states that "regulators need to consider the amount of data behind reporting when they're coming up with these extensive rules." Larger firms have far more resources at their disposal and are able to allocate sufficient time and money to meeting requirements, but smaller firms are "often either going to make mistakes or become non-competitive in their own business," he explains, regulatory reporting becoming such an overwhelming part of their operations that they're unable to do anything else.

Acadia's Thomey is sure that financial firms are well aware of the importance of good data management; after all, any shortfalls are likely to incur penalties such as fines and enforcement actions. As such, the use and control of data, data lineage and data accuracy accountability are key priorities, although these operations can accrue considerable costs.

ESG reporting, an increasingly prevalent element of firms' regulatory responsibilities, is a particularly challenging area. Data is difficult to source, not only due to inconsistent definitions and varied methods of measurement, which make it hard to compare results from different companies, but because firms can be hesitant about disclosing their practices in this space. Without improvements in transparency around ESG disclosures, along with a concerted effort to harmonise reporting methodologies, this problem is unlikely to go away. This also demands a commitment from companies to share their data in good faith.

Searching for solutions

When firms are gathering information from such a range of providers, it's essential to have data committees and audit teams in place, says CIBC Mellon's Anton. These crucial roles help to guide companies' data strategies, ensure consistent quality and verify data integrity, providing oversight across both internal and external data sources. Allvue's Harutyunyan reinforces the point that collaboration is key when it comes to making industry-wide change. As firms work to develop a comprehensive data strategy, "it is imperative to partner with the vendors and service providers that can bring the expertise and products to resolve complex issues". Implementing such a strategy tends to be a multi-year project, and companies must be confident in those they're relying on to ensure consistent and valuable progress is made.

CIBC Mellon's Anton comments that "there is an indispensable link between innovation and data". Perhaps the most visible innovation of recent years has been the acceleration of AI capabilities, and just as the rest of the industry — and the world — those in the data management space are considering how the technology could benefit their operations.

In a chicken-and-egg situation, "without following data quality best practices throughout an entire firm, teams will be unable to take full advantage of the benefits that AI brings", says Allvue's Harutyunyan. On the other hand, AI could be instrumental in allowing firms to wrangle the quantity of data now available to them. As the two continue to progress, there's a lot of potential for mutually beneficial interactions and use cases. One such example lies in the investment compliance space. Currently, firms inform clients of how they should invest — and what guidelines they must operate within — in the form of a document saturated with legal jargon. Converting that into actionable insights is a manual-intensive, expensive process, and one that AI could accelerate. "It can't do it all, but it can start to figure out that language so you can read it faster," ION's Strange explains, allowing users to determine what data they need at pace.

Industry experts are quick to warn that AI isn't a fix-all solution. While Harutyunyan confirms that it's now "making a material impact on managers' fund operations and workflow efficiency", a lack of trust in the technology remains. While document summarisation is a space that many firms are looking towards when considering new AI use cases, ION's Strange comments that "there's a lot of nervousness" that such a system may not perform as good a job as its human counterpart. It can be a helpful tool, but some manual intervention remains necessary, for now.

T+1

The forthcoming shift in the US, Canada and Mexico to a T+1 cycle for equities settlement will substantially reshape how firms manage static data and settlement information.

The capital markets space has already made an "urgent call" for intelligent data automation ahead of the shift, according to a report from Coalition Greenwich and Xceptor. As data demands become more complex, the speed at which operations must be completed increases and the margin for error grows ever narrower, manual processes are becoming unable to keep up.

T+1 is amplifying existing data quality issues in the industry, ION's Strange observes, "putting the spotlight" on any mistakes resulting from bad data. "If companies haven't got a plan in place — which I would hope most people do by now — these problems are going to accelerate very quickly."

According to the report, as of November 2023 nearly a third of financial institutions were using manual processes to cleanse data more than 50 per cent of the time.

Half of all respondents reported using proprietary, labour-intensive services for these processes. In an accelerated settlement environment, these time-consuming methods are no longer fit for purpose.

> "There are beneficial processes and technologies that can be adopted to make the shift to T+1 for fixed income and equities markets less burdensome for market participants"
>
> **Will Thomey, Acadia**

"It's going to be stressful," says ION's Strange, considering the implications of the shortened cycle. The window to rectify missing data issues will be far smaller, and the industry "is going to have to leverage what technology is out there to check that the data is okay". Beyond the technology, employees are going to be expected to work after trading hours to fix any problems that come up, he predicts.

"The main problem, for fixed income and equities markets, is their overall size," Acadia's Thomey adds. Issues with data quality can have cascading effects, with issues such as delayed data, reconciliation issues and operational complexities increasing settlement fail rates and, subsequently, funding and fail costs.

To prevent catastrophes, secure communication between counterparties and custodians must be maintained, says CIBC Mellon's Anton. He also emphasises the importance of consuming real-time data to enable exception management and corrections procedures to be completed as quickly as possible.

Although the upcoming change will be hugely impactful on markets globally, it's not without precedent. Some areas of the industry are already operating on a trade day settlement basis, and other jurisdictions have settled into T+1 environments. The main focus in this case is therefore not to support a novel process, says Acadia's Thomey, but rather to eliminate operational friction.

"There are beneficial processes and technologies that can be adopted to make the shift to T+1 for fixed income and equities markets" — which will be most directly impacted by the change — "less burdensome for market participants," he reassures. These solutions usually reconcile disparate data or automate settlement processes, reducing manual processing requirements.

As T+1 go-live dates rapidly approach, firms who have not yet constructed, implemented and familiarised themselves with a robust data strategy will be at an overwhelming disadvantage. Once again, an accelerated settlement cycle has provided an impetus for the industry to make significant changes to its operations; continuing as usual is no longer a viable option.

What's to come

ION's Strange warns that data management issues are "only getting worse", due to both the volume of data available and the subsequent problem — and cost — of storing it. "People found this difficult 10 years ago, and they find it way more difficult now unless they have mature data transformation plans in place."

"As a service provider, we know that simply delivering data will no longer cut it," affirms CIBC Mellon's Anton. "The challenge lies in surfacing data quickly to capitalise on opportunities and address market volatility."

With the financial services landscape constantly evolving, whether by external factors or regulatory changes, firms must work to keep up with the demand. It may seem like a never-ending race, but slowing down isn't an option if businesses want to remain competitive. Challenges may persist, but so must the industry. ■

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Terri Dempsey promoted at State Street

State Street has appointed Terri Dempsey as country head for Ireland.

She replaces Tadhg Young, who is now head of the company's global clients division.

In the role, Dempsey is responsible for the oversight of service and strategy delivery across State Street's Ireland operations. She reports to Cuan Coulter, executive vice president.

Dempsey has more than 25 years of experience in the Irish market, most recently serving as interim head of State Street Fund Services Ireland and holding responsibility for the company's global delivery operational groups.

Commenting on her appointment, Dempsey says: "I look forward to leading the team we have built as we continue to provide innovative solutions to the financial services industry which have defined our strategy for many years.

"I am excited to continue to contribute to a culture that fosters collaboration and a commitment to excellence to help our global clients." ■

Steve David leaves Northern Trust

FundBank Europe has appointed Steve David as CEO. The company is currently under application for an EU banking license.

David has more than three decades of industry experience, almost 20 years of which have been spent with Northern Trust.

David has been CEO of Northern Trust Global Services since 2021, and has served as country head for Luxembourg global fund services since 2012.

He has held a number of senior roles at the company, after working with Price Waterhouse, Chase Manhattan Bank and IKANO Advisory Management in Luxembourg between 1994 and 2004.

Commenting on his appointment via LinkedIn, David says: "The last 19 years with Northern Trust have been more than successful. The business in Luxembourg is in a remarkable place.

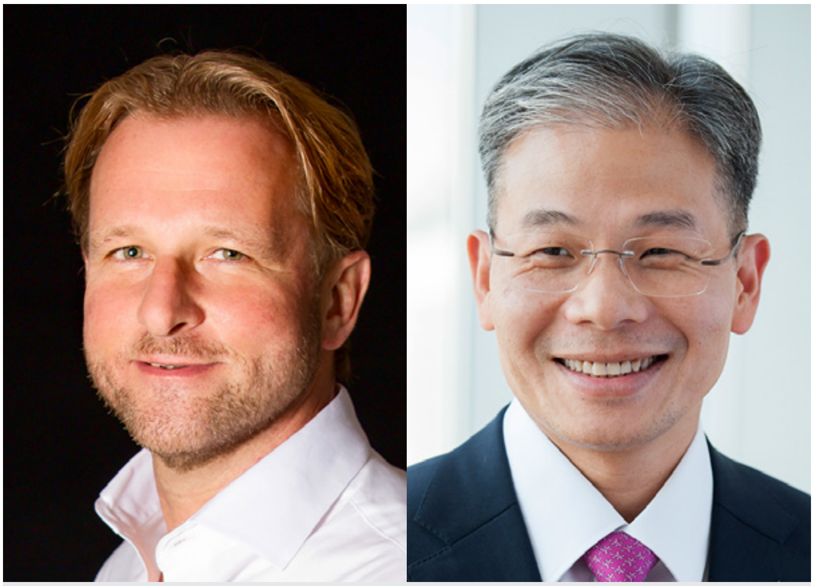
"A new and exciting challenge is waiting for me and I couldn't be happier to have joined FundBank. Many thanks to those who have welcomed and introduced me!"

LSEG welcomes Irfan Hussain as chief information officer

London Stock Exchange Group (LSEG) has appointed Irfan Hussain as chief information officer.

Based in New York, Hussain will lead LSEG's technology team driving innovation in the global financial markets. He replaces Tony McCarthy, who will retire in early 2024.

Prior to joining, Hussain held various roles at the firm Goldman Sachs, including chief information officer for consumer and wealth



Amicorp welcomes Eric Chow and Joost Lobler

Amicorp Fund Services Asia has appointed Eric Chow and Joost Lobler as sales directors.

The appointments are an effort to strengthen and further grow the business across the APAC region.

Chow joins Amicorp from Ogier, where he was head of business of development for Greater China.

Prior to this, Chow held the role of director of alternative investments for KPMG and was regional head of client management for State Street's Alternative Investment Services.

Lobler joins the company from Waystone Governance, where he was managing director of business development. Prior to this, he was head of sales for securities services in the Greater China region at Standard Chartered. Earlier in his career, Lobler held several senior positions with major financial institutions in the Netherlands, the UK and the Caribbean (Curaçao).

Kin Lai, CEO of Amicorp Fund Services (UK), says: "We are delighted to have [Lobler and Chow] join our growing team in Hong Kong. Joost brings several decades of experience in fund administration, securities services, governance and compliance, bringing additional depth and value to supporting clients across the region, and globally.

"Similarly, Eric adds significant experience and strength to our sales effort across APAC. His network of high-profile Asia Fund managers, especially Hong Kong-based Chinese managers, will help us to continue to build our portfolio of clients in this key market for us, as well as further afield internationally." ■

management, and roles in both the global banking and markets and asset and wealth management divisions in New York, Tokyo and Hong Kong.

David Schwimmer, CEO of LSEG, states: "Irfan is a world-class technology leader, recognised by our customers as a trusted expert to partner with as LSEG drives innovation in the global financial markets."

Commenting on his new role, Hussain says: "The opportunity to join a company with LSEG's reputation and to lead a transformation reaching into every part of the global financial markets is incredibly exciting. I'm looking forward to joining the team, working with Tony and partnering with our customers."

Ian Atkinson announced as CEO

Governance.com has announced that Ian Atkinson is their new CEO, taking over from founder Bert Boerman. Boerman will take over the role of chairman and director of strategic growth. Atkinson was previously chief operating officer and chief commercial officer of the automation platform. Governance.com states the decision to change the leadership structure was in order to respond to the demand for its solutions and the growth of the process automation business.

Atkinson says: "I am grateful for the opportunity to lead this exceptional company into its next phase. Our focus for the upcoming year is clear: to continue to innovate and expand our product, stay ahead in the evolving market, and champion fintech adoption within financial services."

Boerman adds: "This transition is a natural step in our company's journey. Ian's experience and expertise make him the logical choice to lead Governance.com into the future." ■