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Ironing Things Out

How firms are adapting to an evolving AML landscape

The Game-Changer
The power of CAMS and what comes next

The Big Leagues
What does the SEC's approval of bitcoin ETFs mean for digital asset institutionalisation?

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ISITC welcomes Richard Robinson as chair

ISITC has appointed Richard Robinson as its 2024-25 chair. He succeeds Kristin Hochstein, global head of pricing and reference services at LSEG, who now serves as immediate past chair on the ISITC board.

Robinson has three decades of experience in the securities and fintech industries, and currently serves as chief strategist for open data and standards at Bloomberg.

Paul Fullam, vice president at FIS, has been appointed as vice chair, while Michael Burg, vice president of derivatives product management at State Street, has been named second vice chair.

Commenting on his new role, Robinson says: "The work of ISITC, its leadership and member firms is absolutely vital to our industry. I'm looking to continue the growth and success our previous leadership teams have set in motion for our association."

Fullam says: "Significant elements to ISITC's success are the internal collaborations we foster and the relationships we've developed with various industry associations and regulators.

"It is thanks to these efforts that we're able to put into practice the recommendations and market practices we develop." ■

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HANSAINVEST and Clarity AI partner

Management company (ManCo) HANSAINVEST has partnered with sustainability technology company Clarity AI to improve its sustainability services.

Through the partnership, fund managers associated with the ManCo will gain access to comprehensive analysis and regulatory compliance tools. They will also be able to choose from a curated list of ESG providers.

HANSAINVEST seeks to provide a “globally relevant sustainability network”, a project it states will be helped by Clarity AI’s coverage of small- and medium-sized companies and understanding of the APAC markets.

The company also aims to allow for consistency between ManCos and fund managers, it explains, promoting a more unified approach to sustainability analysis.

Jörn von Elsenau, ESG manager at HANSAINVEST, comments: “With this cooperation, we are expanding our list of data providers at HANSAINVEST, which supports our fund partners with in-depth ESG expertise and tech DNA.”

Andri Stocker, regional sales director for DACH at Clarity AI, says: “Our joint capabilities will allow us to enhance HANSAINVEST’s offering and help simplify the processes for portfolio managers.” ■

Rakkar Digital joins Ondo Ecosystem

Digital asset custodian Rakkar Digital has become the first APAC custodian partner to join Ondo Finance’s collaborative network.

Through the partnership, the companies seek to drive the adoption of tokenised real-world assets across APAC.

The Ondo Ecosystem, from financial infrastructure on-chain solutions provider Ondo Finance, aims to bring institutional-grade financial products and services to a broader audience. Network partners include Blackrock, J.P. Morgan and Ethereum.

Rakkar Digital is able to support all institutional-grade tokenised cash-equivalents in the network, using multi-party computation technology and a proprietary governance engine to protect against cyber threats, internal risks and human error.

Nathan Allman, founder and CEO of Ondo Finance, says: “This partnership expands the Ondo Ecosystem and offers Ondo token holders an additional secure, transparent, and efficient financial solution for custody and beyond.”

Arthit Sriumporn, founder and CEO of Rakkar Digital, comments: “Joining forces with Ondo Finance is a testament to our commitment to security, compliance, and innovation.” ■

Centralis Group picks Fenergo

Alternative asset and corporate services provider Centralis Group has adopted Fenergo's client lifecycle management (CLM) product.

The Luxembourg-based firm aims to streamline its client and investor onboarding processes while preparing for continued international growth.

The solution will improve Centralis' operational efficiency, Fenergo says, ensuring regulatory compliance across the company's global network and reducing the potential for duplicated effort across CLM operations.

Andreas Thommen, chief risk and compliance officer at Centralis Group, says: "As we continue to grow and expand our client and investor base, we need technology we can trust and that will enable us to scale.

"With Fenergo, we are able to bring new products and services to market, safe in the knowledge that we can onboard customers even more efficiently while remaining compliant across the world." ■

Value Partners and VSFG sign virtual assets MoU

Asset management firms Value Partners Hong Kong and Venture Smart Financial Holdings (VSFG) have signed a memorandum of understanding (MoU) with the goal of supporting and developing the virtual assets ecosystem in Hong Kong.

The companies aim to connect virtual assets with traditional investment vehicles for both retail and institutional investors, with initial plans to launch a spot bitcoin ETF in the jurisdiction.

This will be designed to track the spot prices of Bitcoin, improving flexibility, transparency and liquidity around the asset.

The announcement follows continued growth and evolution in Hong Kong's virtual asset space.

June Wong, CEO of Value Partners, says: "The plan to launch a spot bitcoin ETF marks our first collaborative initiative, offering Hong Kong investors exposure to the world's largest digital asset, all while enjoying the convenience and efficiency of the ETF vehicle.

"Leveraging Value Partners' extensive knowledge and track record in managing ETFs as well as VSFG's experience, we are well-equipped to offer our clients with more investment options, particularly in virtual assets, helping them capture market opportunities and navigate this dynamic and evolving space."

Lawrence Chu, chairman at VSFG, comments: "We have been planning and engaging in discussions with market practitioners on the positive momentum for the virtual asset realm and hope to provide more investment options for investors through spot virtual asset ETFs.

"We aim to support Hong Kong to become an international virtual assets centre." ■

Elwood receives FCA authorisation

Digital asset infrastructure firm Elwood Technologies has been authorised as a service company by the UK Financial Conduct Authority (FCA).

The authorisation specifically applies to the company's execution management system (EMS) in reaction to security tokens and derivatives, which allows clients to connect to and trade on global crypto exchanges and over-the-counter (OTC) venues through a single application or application processing interface.

Elwood's software-as-a-service (SaaS) platform includes the EMS, alongside execution and portfolio analytics and risk management tools for digital assets markets. It has previously received SOC2 and ISO 27001 information security certificates. The company is backed by global firms including Goldman Sachs, Barclays and Citi.

Chris Lawn, CEO of Elwood, says: "Elwood is proud to become one of the first digital asset technology firms authorised as a service company by the FCA.

"Institutional investors are increasingly looking for a digital asset SaaS platform that meets robust regulatory standards akin to those in traditional finance.

"Securing FCA approval supports this need and marks another step in Elwood's mission to provide an end-to-end digital asset platform in a regulated and transparent manner from the UK."

Mathew McDermott, global head of digital assets at Goldman Sachs, comments: "Today's announcement shows Elwood's progress in meeting the consistently increasing need for institutional grade, regulatory compliant digital asset infrastructure.

"We are encouraged by the strides taken in the UK to bring digital asset companies in line with the regulatory expectations of the traditional finance world." ■

Ocorian partners with Treety

Ocorian has partnered with Treety to provide ESG reporting, analytics and training for fund services clients.

The collaboration is designed to enable more tailored ESG reporting in line with the EU's sustainable finance disclosures regulation and the UK's sustainability disclosure requirements policy.

Yegor Lanovenko, co-head of fund services at Ocorian, says: "Across asset classes, the need for regular portfolio data collection, detailed benchmark analysis and tailored fund — and investor — level reporting can quickly become operationally complex and manual. Partnership with Treety offers our fund services clients a flexible solution to this."

Mike van Wijhe, co-founder and chief commercial officer at Treety, adds: "The rise of ESG, impact and related sustainability regulations in the financial sector has led to a necessary but often complex set of new challenges that Treety has been dedicated to solving." ■

DIC joins CLSSettlement

CLS has announced that DIC Corporation has become the third Japanese manufacturing company to indirectly access its settlement platform, CLSSettlement, as a third-party participant.

DIC, global chemical manufacturer of printing inks, will access CLSSettlement via the platform's third-party provider, MUFG Bank. CLS claims that DIC will benefit from streamlined data processing from trade execution through to settlement.

Lisa Danino-Lewis, chief growth officer at CLS, comments: "This latest development is a progressive approach for manufacturing and service companies, as it allows them to effectively manage their treasury functions and align with market best practices." ■

Rakkar Digital joins Ondo Ecosystem

LTX, a Broadridge Financial Solutions subsidiary, has been awarded four new patents. These patents cover bond similarity technology, dealer selection score technology, liquidity aggregation technology and request for quote+ trading protocol.

These technologies will enhance trade workflows and provide the opportunity for price improvement, the company says, due to the participation of multiple responding parties.

Jim Kwiatkowski, CEO of LTX, says: "Our buy- and sell-side clients have identified areas for improvement in existing trading and investment workflows, and we have responded with innovative solutions. Our clients continue to partner with us on implementing AI into their workflows." ■

SIX expands climate-related data provisions

Financial information provider SIX has expanded its ESG and regulatory risk data coverage with the addition of a climate data offering.

The product brings together data sets on regulatory, historical and forward-looking climate impacts, providing modelled and reported emissions data covering more than 33,000 companies across geographies and industries.

This includes the global Greenhouse Gas Emissions Dataset from environmental data disclosure platform CDP, which SIX has recently partnered with.

Using the data, clients will be supported in the reporting and monitoring of climate factors, climate-related investment choices and risk decision making, SIX says.

The expansion comes in response to increased regulatory scrutiny around climate-related data, such as the worldwide Task Force on Climate-Related Financial Disclosures (TCFD), the EU's Sustainable Finance Disclosure Regulation (SFDR) and the US Securities and Exchange Climate Disclosure Rules. ■

R3 launches Digital Markets product suite

Distributed ledger technology (DLT) and services firm R3 has launched the R3 Digital Markets product suite.

Kate Karimson has been appointed chief commercial officer and will lead the roll out of the suite.

Powered by Corda, R3's tokenisation platform, the suite provides full lifecycle management of digital currencies and digital assets. It also includes R3 Digital Connect, which enables the integration of existing systems with DLT networks, and R3 Digital Lab, a cloud-based collaborative lab for companies to launch DLT projects without a complex infrastructure.

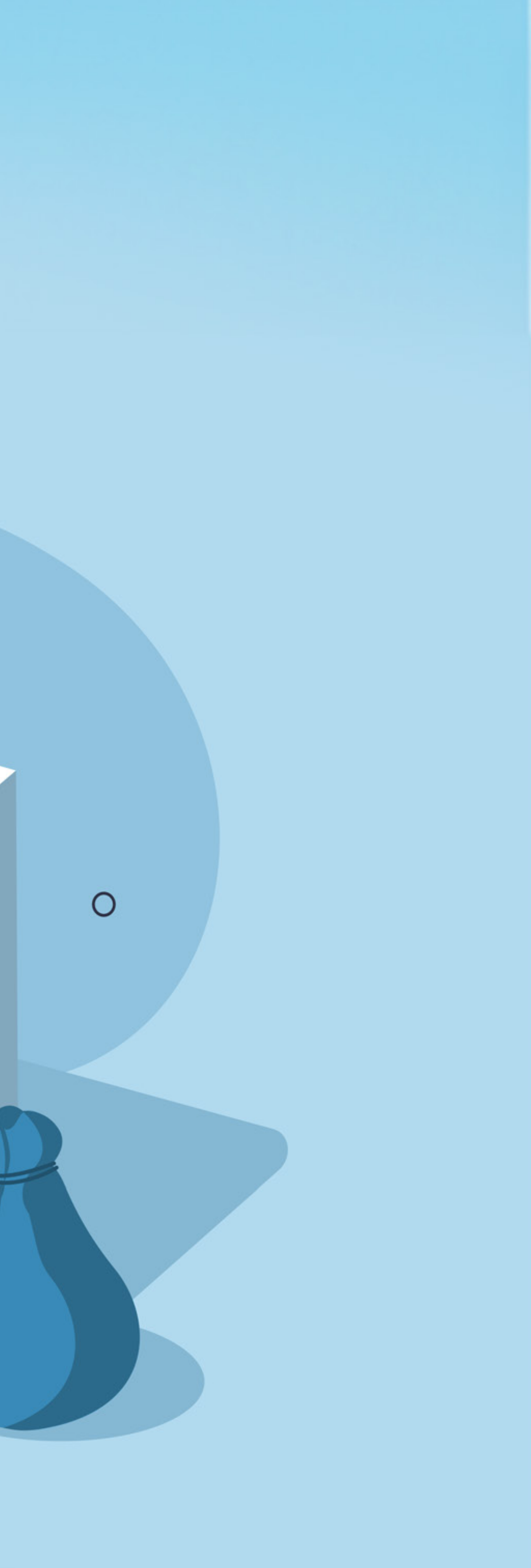
Through the launch, R3 aims to support firms' concurrent management of digital and traditional assets, promoting interoperability and enhancing existing operations.

With more than a decade of experience, Karimson joins R3 from trading platform LedgerEdge. Prior to this, she held roles at CME Group including executive director for BrokerTec products, and was global product manager for TrueQuote CrossTrade at ICAP. ■

Ironing Things Out

Anti-money laundering operations are a key responsibility for financial services firms. But in a rapidly evolving technological landscape, how can companies keep up with changing demands?

Lucy Carter reports



Technological developments over recent years have opened up endless possibilities for financial services firms. Whether it's digital currencies or artificial intelligence (AI), each day seems to bring a new wave of innovation in the industry. Companies are experimenting with new creations, and existing technologies are being honed to be increasingly efficient and effective. It's an exciting time to be working in the industry.

It's also an exciting time to be a criminal.

Just as technology is enabling developments for firms, bad actors are taking full advantage of new tools for nefarious purposes. As a result, anti-money laundering (AML) officers and compliance teams are scrambling to fight — and prevent — a seemingly endless string of fires.

"It's a constant game of cat and mouse," analogises Kieran Holland, head of technical solutions at FinScan. "Criminals are finding very creative ways to hide the true nature of transactions, making them very complex and coming up with new fraud methods."

in the know

"There's a resource and knowledge divide in the AML space," Holland says. While larger companies have the money and resources to invest in their AML systems, employing outside consultants and specialist firms to implement the most cutting-edge solutions, smaller companies do not have the same resources to allow for a similar level of protection.

"They look for one-touch solutions, things that are easy to implement," Holland explains. "But the requirements and the data they have are never actually easy to implement with just technology." Having less to work with, small and medium enterprises are left on the back foot and are far more susceptible to both criminal attacks and regulatory reprimands.

Fenergo's head of financial crime policy, Rory Doyle, echoes this concern. He says firms need to "plug the growing skills gap and shortage of qualified financial crime professionals to conduct effective client due diligence". A mammoth task that requires the implementation of "cutting-edge technology" such as machine learning and AI could serve to close a gap between the demand for, and shortage of, expertise.

It's vital that companies get ahead in their AML efforts to avoid constantly being in a state of catch-up. Employing new technology

images by irina_strelnikova/stock.adobe.com solutions will “mitigate the risk of further enforcement action over the coming 12 months and beyond”, Doyle continues. He explains that this will allow companies to create a centralised financial crime ecosystem and improve overall workforce efficiency.

Compliance teams are, as Holland put it, “expected to wear many hats.” Regulations, legislation, performance analysis and reporting requirements are just a few of the areas they need to have a strong understanding of. Many of these are constantly evolving.

Holland says teams are expected to be “systems experts”, able to understand the technology being implemented and how it can be tested and proven.

Knowledge of data is also key — without understanding what data is being received from the business for different applications and lines of business, and without being able to judge quality and identify duplicate data, firms will end up with excess work and high labour requirements. With all these responsibilities in mind, and in an increasingly complex and risk-filled space, many compliance teams are turning to new technology to solve AML-related issues.

AI

AI is one tool being employed to enhance AML functions, particularly around processes that are currently very labour intensive. Cumbersome screening processes, which frequently have to handle high quantities of false positives, often function by “throwing people at the problem”, Holland explains. Machine learning is being used to create a “first line triage”, he continues, discounting false positives and reducing the level of manual intervention required. Perhaps the most interesting use of machine learning in the AML space is behavioural analytics, by which transactions are automatically monitored and suspicious patterns are highlighted. Rather than the time-consuming task of collecting the day’s transactions and analysing them manually, this proactive approach allows for real-time, more efficient analysis.

Data

Holland notes a significant increase in clients’ questions around data security, residency and handling over the last few years, with a solution’s capabilities in this area becoming key factors in a proposal’s overall scoring.

This is primarily due to the nature of the data that companies are handling, which are held under tight security. Regulations like the EU’s General Data Protection Regulation (GDPR) have specific requirements that compliance teams must abide by, and the risks that come with data being leaked are dire.

The depth and breadth of information that companies hold makes them prime targets for criminals, and if they get it, “they’ve effectively got everything they need to steal someone’s identity,” Holland affirms.

“It’s a person’s name, address, date of birth, even their national ID or passport number,” he continues. “It also includes any investigations that have been done on this person, for example whether they’re tied to a corruption case or are related to a politically exposed individual.”

While the handling of highly personal information poses a risk, compliance teams also face the challenge of gathering and validating know-your-customer (KYC) data — particularly when it comes to companies. “Knowing who ultimately owns or controls companies, and working out the complex ownership structures through multiple jurisdictions, off-shore shell companies and private trusts is still a big problem,” says Holland.

He elaborates, explaining that countries often have no central databases that compliance teams can screen people against. “In the UK and EU, we still don’t have a lot of the information that we need”, he adds, and what is available is often limited to publicly available information or has prohibitive restrictions on access.

“In the UK, it was only recognised by the UK Government last year that Companies House is deeply lacking,” he exclaims. “It doesn’t have nearly accurate or deep enough data.” Without improvements in this area of data and transparency, compliance teams’ ability to deliver sufficient AML provisions will inevitably be restricted.

Regulation

“The changes to EU beneficial owner requirements, although seemingly small, will present a significant resource challenge to financial institutions that will require careful planning,” Doyle affirms.

The European Council (EC) and the European Parliament (EP) launched the Anti-Money Laundering Authority in December 2023.

The authority holds both direct and indirect supervisory powers, overseeing the riskiest credit and financial institutions, playing a supporting role in the non-financial sector and imposing sanctions in the case of AML breaches. It will also maintain a central database of information relevant for the supervisory system.

Through the authority, the EC and EP hope to boost the efficiency of the AML and counter-terrorist financial frameworks in the EU, and will coordinate and support financial intelligence units across the region. This is an ambitious project, and one that “should, in theory, bring clarity to a fragmented European regulatory landscape”, says Doyle. However, as with any big swing regulation, there are caveats. “Direct supervision is limited to the top 40 financial institutions,” he continues, “so it remains to be seen if this clarity can be realised in practice”.

Recent crises

Money laundering and financial crime is a particular issue in the cryptocurrency space, exemplified by a number of scandals in 2023. In November, cryptocurrency exchange Binance was sanctioned by a US$4.3 billion fine over its failures around AML practices, unlicensed money transfers and sanctions violations. On an individual level, founder and CEO Changpeng Zhao was hit with a US$50 million fine. Both the entity and founder pleaded guilty, with Zhao stepping down from his role and admitting his failure to maintain an effective AML programme within the company.

US officials were quick to condemn Binance, with attorney general Merrick Garland stating that its success was due, in part, to its criminal actions. Secretary of the Treasury Janet Yellen drew attention to the real, dangerous consequences of noncompliance with AML and related regulations: “Binance turned a blind eye to its legal obligations in the pursuit of profit. Its willful failures allowed money to flow to terrorists, cybercriminals and child abusers through its platform.”

Willful, or even accidental, failures in this space have far-reaching implications. For the business and its owners, monetary fines, prison sentences and reputational damage can be damning. The impact on the real victims that these crimes facilitate can be much worse.

Merely a month after this news, disgraced FTX CEO Sam Bankman-Fried was charged with conspiracy to commit money laundering, along with a host of other convictions.

“In the past month, the Justice Department has successfully prosecuted the CEOs of two of the world’s largest cryptocurrency exchanges in separate criminal cases,” Garland stated. “The message here should be clear: using new technology to break the law does not make you a disruptor, it makes you a criminal.”

As a result of these landmark cases, “financial institutions of all sizes need to make necessary preparations to contend with, and remain agile in, this ever-evolving regulatory landscape”, says Fenergo’s Doyle. These preparations include implementing new training programmes and setting up stricter due diligence perimeters. “That way, they can be well-equipped to navigate the increasingly dynamic environment.”

FinScan’s Holland explains the pattern that occurs whenever new players enter the regulatory space: “They haven’t been regulated before, they’ve been allowed to play fast and loose. Then suddenly, they have complex regulations and requirements they need to align with, and fast. There’s always going to be a learning curve.”

That being said, digital assets are currently “seen as the Wild West”. With an understanding of the technology, anyone can create a new cryptocurrency or crypto wallet system. In what remains a greatly unregulated space, “this leads to a mentality that ‘I might eventually get stopped, but not yet’,” Holland comments. “That sort of thing immediately attracts terrorists and criminal gangs. It becomes a black market by which they can move assets around outside of the normal, functioning financial system.”

“It’s becoming clear that the sector needs to create more robust controls for AML,” affirms Fenergo’s Doyle. He demands tougher penalties and concerted attempts to demystify the “notoriously opaque” industry.

“We expect US watchdogs will continue cracking down hard on reporting failures over the coming months,” he adds, predicting that the regulator will focus on “ironing out financial crime and, ultimately, protecting investors.”

This sentiment can be expected across financial services as a whole. While some areas may be more susceptible to money laundering than others, it’s something that impacts every part of the industry. A constantly evolving threat, firms and regulators must ensure that effective, up-to-date preventative measures are in place to secure the safety of the financial world. ■

The Big Leagues

Now that the SEC has approved bitcoin ETFs, what's next for the institutionalisation of digital assets?

Lucy Carter reports

Just 10 days into the new year, the US Securities and Exchange Commission (SEC) made the landmark decision to approve 11 bitcoin exchange traded funds (ETFs).

The first application for a bitcoin ETF was registered with the SEC in 2013. Its rejection didn't stop other firms from putting their own products to the test, but it wasn't until Blackrock's June 2023 application that spot bitcoin ETFs began to feel like a real possibility.

The news was preceded by a fake announcement via X, by which someone with "unauthorised access" told the world that the ETF approvals had been made. Not the most auspicious start to something those in the crypto space have been fighting for for more than a decade, but one that caused tumult in the value of bitcoin as market participants reacted to the post and its hasty deletion.

The world reacts

The announcement sparked strong responses from both sides of the crypto divide. Some fanatics saw it as a huge step towards complete institutionalisation of bitcoin as an asset class, while others continued to raise long-standing concerns about the volatility of the currency and its many controversies.

There was also a split in the pro-bitcoin camp, with a number of users protesting that the institutionalisation of bitcoin goes against the very principles of the product — bringing the coin into the fold of the SEC and mainstream markets may seem contrary to its anti-establishment origins. Arthur Hayes, founder of cryptocurrency exchange BitMEX, went as far as to warn that bitcoin's assimilation into traditional finance could "completely destroy" it, monopolising the asset, cutting out those minting new bitcoins and eventually disintegrating the currency's network.

However others, like Kathleen Breitman, co-founder of the Tezos blockchain project, state firmly that this is a good thing. "The outcry is misguided," she wrote in Fortune Crypto. "A bitcoin ETF is a great thing for furthering the original mission of the bitcoin project. If bitcoin is meant to enable individuals to be their own bank, an ETF strengthens its case as a store of value."

images by mike_orlow/stock.adobe.com

Thomas Restout, CEO of digital asset firm B2C2, agrees that the SEC's decision is a positive step forwards for bitcoin and digital assets in general. "It facilitates Bitcoin investment for a broader range of investors who may have been hesitant due to the complexities of physical investments, regulatory concerns, or specific product constraints," he explains. With the asset now available through major exchanges, the process is far simpler. Additionally, the announcement marks a change in attitude towards digital assets from financial market infrastructures. "It underscores the maturation and recognition of cryptocurrencies as a legitimate and attractive investment class in the global financial landscape," Restout affirms, adding that client demand seems to have driven the shift.

Stability

From a slightly more conspiracy-fuelled angle, J.P. Morgan CEO Jamie Dimon, a long-time critic of cryptocurrency, suggested to CNBC that once Bitcoin reaches its supply limit of 21 million "there's a good chance that [Satoshi Nakamato] is going to come on there, laugh hysterically, go quiet, and all bitcoin is going to be erased". While this is pure speculation — Nakamato has never been conclusively identified and there are no indicators that they plan to destroy their creation — it draws attention to the unpredictability of the asset's future.

In anticipation of the ETF announcement, the value of bitcoin rose steadily over the last few months. The last few years have seen the so-called 'crypto winter', the collapse of FTX and subsequent trial of Sam Bankman-Fried, and Binance's record-breaking fine for money laundering and insufficient compliance measures. Considering the asset's overall contentious existence, continued investment in and engagement with cryptocurrency may seem strange.

Upon the approval of the ETFs, SEC chair Gary Gensler was quick to clarify the commission's position on cryptocurrencies. "We did not approve or endorse bitcoin," he stated, advising investors to "remain cautious about the myriad risks associated with bitcoin and products whose value is tied to crypto". Although a level of legitimacy and certainty is being established, the underlying nature of bitcoin has undergone no change.

"Though we're merit neutral, I'd note that the underlying assets in the metals exchange-traded products have consumer and industrial uses while, in contrast, bitcoin is primarily a speculative, volatile asset that's also used for illicit activity including ransomware, money laundering, sanction evasion and terrorist financing," he added. While the approval has gone through, it's abundantly clear that not all those involved are on board.

Certain apprehensions around the stability of the asset seemed to be proven right, with bitcoin falling by almost 10 per cent within a fortnight of the announcement. With such a volatile, difficult-to-predict asset, it's possible that the hike during the ETF run-up only served as a miniature hype cycle. Many believe that the SEC's verdict opens the doors to the development of other cryptocurrency ETFs, and have therefore sold their bitcoin holdings in preparation for the next big shift.

Asset servicing adaptations

Discourse around cryptocurrencies tends to focus around traders and new institutions, their meteoric rises and crashing falls. However, with this ETF announcement, the back office and asset servicing firms are front and centre.

BNY Mellon, a major player in the US' banking and financial services space, is providing fund services for six of the 11 spot bitcoin ETFs. A spokesperson for the company stated that it is "pleased to be able to support our clients as they launch these new ETFs", adding that they will open up another pathway for investors aiming to diversify their portfolios.

At State Street, "we've been working for over a decade on a service model to support spot crypto digital asset ETFs," says Frank Koudelka, global ETF product specialist. The firm's global service model is integrated with major digital asset players, namely Coinbase, Fidelity Digital Asset Services and Gemini, and the company is currently supporting three of the recently-approved funds. With services already provided across the US, Canada, Europe and APAC, the company is well-placed for this, and subsequent, changes in the space.

Implications

It's generally accepted that where the US goes, the rest of the world will follow. Some jurisdictions are already on their way, with a Guernsey-based bitcoin ETF launched by Jacobi in August 2023 and Australia having two products trading through Cboe. However, these are not yet mainstream and have garnered nowhere near the amount of attention that the SEC announcement has prompted.

The Australian Securities Exchange, Australia's largest exchange, is hot on the US' heels, having shared its expectation to approve bitcoin ETFs in the first half of 2024. In Europe, on the other hand, Tom Eckett, analyst at ETF Stream, doubts that the SEC's decision will have much of an impact. The region "already has a vibrant cryptocurrency market and a wide variety of crypto exchange-traded products," he says, "domiciled in jurisdictions such as Switzerland and Germany".

The US move may encourage regulators to "greenlight retail investor access to bitcoin", he acknowledges, but continued scepticism from key ETF domiciles Ireland and Luxembourg make it unlikely that the asset will be included in the UCITS ETF framework.

Although many institutions have expressed hesitancy and distrust towards cryptocurrencies in the past — and although some still do — the SEC's decision is seen by many as a clear sign that the tide is turning. As demand comes from the top down and the bottom up, with institutions and investors expressing greater interest in cryptocurrencies, "the demand for reliable services in the digital asset realm becomes evident," says Alexandre Kech, head of digital securities at SDX.

"The influx of new capital and a broader participant base will significantly propel the evolution of the digital asset ecosystem," he adds. Changes in the landscape open doors for asset servicing firms and the industry as a whole to offer expanded, and entirely new, services.

"The SEC's approval of BlackRock's Bitcoin ETF underscores how institutionalisation is the dominant theme in the ever-evolving world of digital assets," states SDX's Kech.

> **"The influx of new capital and a broader participant base will significantly propel the evolution of the digital asset ecosystem"**
>
> **Alexandre Kech, SDX**

"This next phase demands trusted counterparties prioritising investor safety, fostering new capital inflows and diversifying participants, marking a pivotal moment in the digital asset journey."

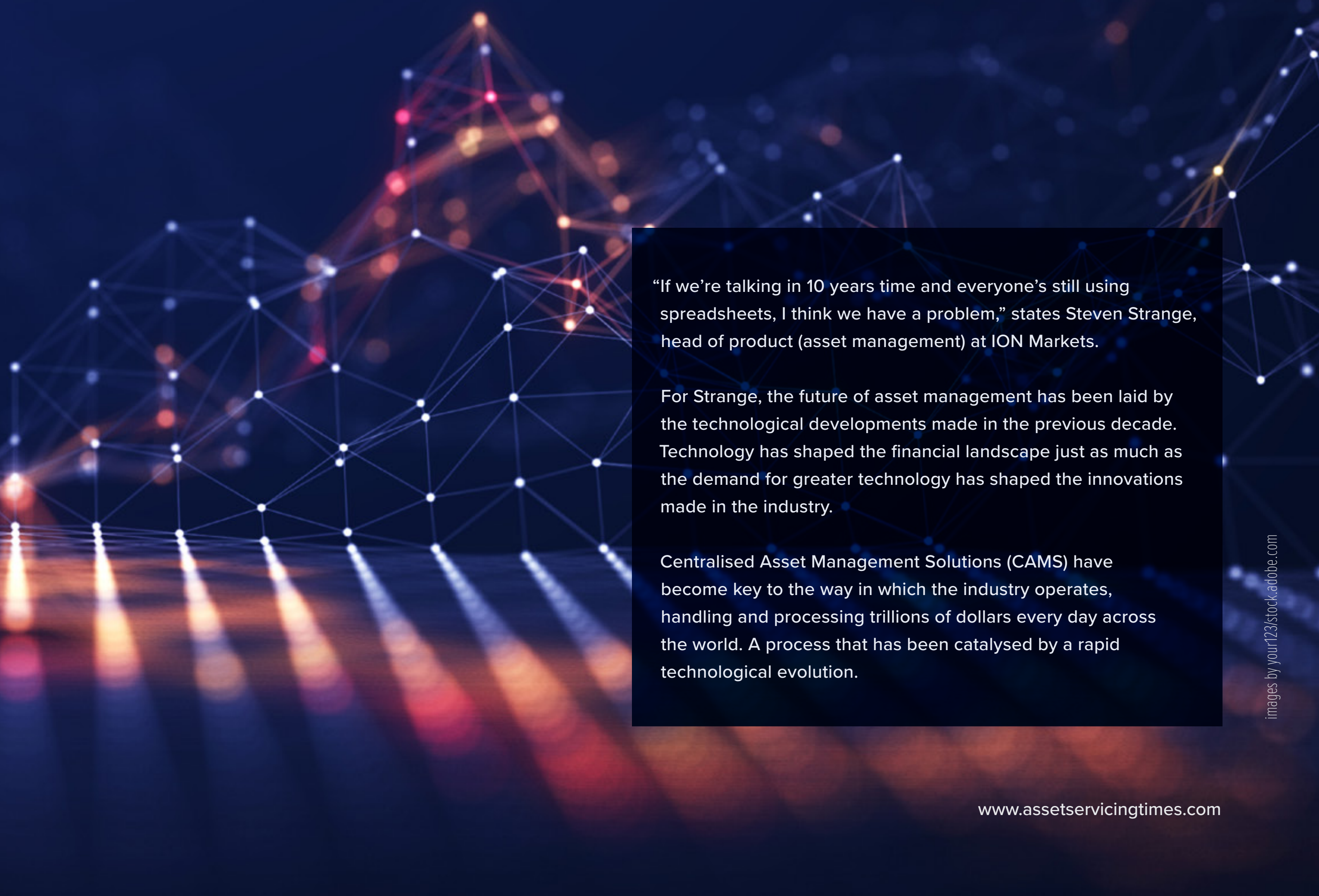
Bitcoin was born shrouded in mystery, and that doesn't seem set to change. For many, that's part of the appeal; its unpredictability, its rebellious intentions and the community that has been built around it. Crypto devotees' diverging opinions on whether the asset's institutionalisation will undermine this is understandable.

However, just as many industry players are still on the fence, grudgingly engaging with or adamantly opposing the asset class, it seems inevitable at this point that the trend of institutionalisation will continue. ■

The Game-Changer

Centralised Asset Management Solutions are integral for businesses and how they work with clients, but how have we reached this point? And where do we go?

Jack McRae reports



"If we're talking in 10 years time and everyone's still using spreadsheets, I think we have a problem," states Steven Strange, head of product (asset management) at ION Markets.

For Strange, the future of asset management has been laid by the technological developments made in the previous decade. Technology has shaped the financial landscape just as much as the demand for greater technology has shaped the innovations made in the industry.

Centralised Asset Management Solutions (CAMS) have become key to the way in which the industry operates, handling and processing trillions of dollars every day across the world. A process that has been catalysed by a rapid technological evolution.

images by your123/stock.adobe.com

"The interoperability of systems has been a big game-changer with technology providers in the last few years"

Steven Strange, ION Markets

The chicken and the egg

It is a question as old as time. A question that makes you doubt and think about the very reason for how and why we came into existence.

Traditionally, this question focuses on the chicken and the egg. Which came first? How can you have a chicken without an egg first? But, what lays the egg if there was never a chicken?

Naturally, this thought is one that can be postulated in the asset servicing and management industry.

So, what came first?

Was it the expansion of the financial industry that demanded a growth in technology that came first? Or was it technology that allowed the industry to grow?

Strange isn't captivated by the analogy.

Unsurprisingly, the head of product argues that the situation is slightly more complex, but does state that it is technology dragging the begrudgingly slow financial sector into the modern day.

"The financial world has been slow to adapt to technology. Some of the largest organisations have very good systems in place but are 20 years old." Strange explains, "It's hard to move your business away from that to a new provider — it's expensive and risky."

The big game-changer

The development of interoperability leads the conversation as Strange delves deeper and deeper into its importance through an analogy of his own.

Strange discusses how interoperability enables two different systems built by two different programmers to 'talk to one another', commenting that "the interoperability of systems has been a big game-changer with technology providers in the last few years". The ability of modern technological systems to respond and interact with opposing systems is integral to consistency of data and the client experience.

This demand for interoperability has placed pressure on the industry as a collective to level-up their technology systems. He says, "The problem is we have a lot of legacy data systems across very large financial organisations and they don't support interoperability."

State Street's Charles River Investment Management Solution is an example of a system which provides this modern-day level interoperability. Frank Smietana, head of thought leadership & content strategy at State Street Alpha, explains how this has been integral to their development. He says, "CAMS provide a single vendor point of accountability and support, interoperability with an ecosystem of data, analytics and application providers, helping clients tailor the platform to their needs."

Smietana continues, "By having this unified data model there are no more siloed systems and supporting database teams, [limiting] technology spend."

As Strange had already appreciated, updating technology systems is expensive and can be seen as unnecessary when existing systems, even if a couple decades old, "still work".

If it isn't broken, why fix it?

However, this exact predicament has led to an interesting development across the industry.

Beat them, or join them?

Across the industry, the race to develop and build the latest, cutting-edge technology can put a lot of pressure on firms from a reputational and financial perspective.

Upgrading technological processes can often represent a risky investment, especially if other competitors produce similar, and sometimes more advanced, products.

Strange recognises this situation. He tells: "We all compete aggressively in the market and it [reaches a stage] where you either take my system, or you don't. Clients in the industry don't want 20 different systems and 20 different logins, they want one application programming interface (API)."

The strive to provide a better experience for clients often leads firms to make a choice. Is it better to collaborate or be left behind? Strange continues: "Of course, competition is always there. But, if there's a really great piece of technology, it may be better to integrate than build it from scratch."

Karen Geiger, senior vice-president and co-general manager at SS&C Technologies, reflects on the competition in the industry. She explains, "With changing investor expectations and competitive pressures, asset and wealth managers are reevaluating their offerings and the systems that support them. Firms are diversifying products, particularly among firms that serve a mix of institutional and private wealth clients."

Geiger considers how the demands of the client have shaped the ways in which CAMS have developed to allow for customisation in line with the client's preferences. "With increasing investor demand for more personalised and tax-advantaged investment solutions, many firms are moving private clients from model portfolios, mutual funds and institutional-style strategies into separately managed accounts."

Geiger continues to affirm the importance and strength of CAMS. In particular, she credits their adaptability as integral to their success. She explains, "With cloud native or deployed platforms, firms have the flexibility to add or swap out modular components as needed and upgrade any component without disrupting the platform."

The adaptability and centrality of the systems will enable firms to scale up their business. "With new enhancements and features released more quickly, firms achieve near-unlimited scalability and economic gains without adding to their in-house technology stack," Geiger adds.

Scalability is a focus across the industry and key to the future of how technology will develop in the future.

Right here, right now

Strange highlights two areas as being the driving force behind CAMS. "To have automated solutions you have to have audibility and transparency. Investors need transparency. If you're presenting data using manual controls — we know people still use Excel spreadsheets — there can be no audibility trace at all. That manual control can be devastating if you don't have the right controls in place."

Automation has become an indispensable part of technology development in the industry. With North America set to embrace T+1, the need for trades to be settled instantly becomes imperative to the future of technology.

Strange shares that, "98 per cent of all clients' equity orders are now fully automated. Previously, it would take the trading team an hour every morning manually clicking trades to get them all ready to go to the market. Now that happens in a matter of seconds."

However, there are challenges facing the industry.

Geiger posits that technology will continue to advance to support the asset management industry's requirement for speed and scalability. She explains, "Existing technology can only handle so much complexity and data before it starts to

"Changing investor demands present significant challenges for asset and wealth managers"

Karen Geiger, SS&C

buckle under the strain. Firms are taking a holistic view to connect their technology platforms that support investment management activity in effort to gain agility and scale portfolio management without compromising quality."

Similarly, Strange suggests data and technology are reliant on one another. "These systems are only as good as the data that is provided. Data still remains expensive, difficult and hard to manage." He explains, "We still have hundreds of data providers out there and it's challenging having data that's quality, consistent, affordable and readily available. There will continue to be a focus on trying to improve data because everyone finds it a headache, and an expensive headache at that."

He continues to suggest that the shorter settlement cycles will place pressure on technology. "With shorter settlement cycles and the markets moving towards a 24/7 infrastructure where they can always be open, in real-time and processed rapidly, the technology has to be there [to facilitate]."

Smietana concurs, predicting that CAMS will have to respond to the demands of data challenges. He explains, "In the future, we will see seamless cross-platform interoperability between data, analytics and application providers that will help level the playing field between startup and incumbent IP providers. Also, artificial intelligence (AI) and blockchain will enable T+0 across all asset classes and geographies, reducing failed trades."

Future Excel-lence

If it cannot be decided on if the chicken or the egg came first, then questioning the future might be even more complex.

Geiger believes CAMS development will be defined by investor demands, rather than driven by asset management innovation. She states: "Changing investor demands present significant challenges for asset and wealth managers, but they also present an opportunity for firms to expand their offerings, enhance their value, protect margins and reinforce client relationships. A modern technology platform designed to support scalable portfolio management, high-volume trading and firm-wide integration can help accelerate time to market and equip firms to fully capitalise on this opportunity."

Meanwhile, Strange is hesitant to make predictions but places further emphasis on CAMS' need to maintain transparency. He explains, "[Even today,] it comes down to having transparency into any action that's taken place. Clients can go through APIs and be exposed to all that information in real time. They do not have [to rely on] people sending reports constructed on Excel modelling, which is crazy when you're talking about billions and billions or trillions of dollars of assets under management."

The death of the spreadsheet will give rise to a new power. The further the industry expands and the greater the volume and frequency of transaction, the greater need for CAMS and automation. The days of manual reporting and data teams taking an hour to manually sort trades appear all but over.

As Strange opened with, if in a decade's time trillion dollar trades are being sorted by Excel spreadsheets, 'we have a problem.'

He concludes, in a somewhat gingerly manner, "I think everybody's favourite word, 'AI', will be here to stay." ■

Pat Sharman leaves Caceis

Pat Sharman has left Caceis after a four-year tenure as country managing director for the UK. Sharman has almost four decades of industry experience, serving as a UK managing director and UK director of pensions at KAS Bank before joining Caceis. Earlier in her career, she was head of relationship management and sales for pension funds in Europe for HSBC Securities Services.

Recently, Sharman established the non-profit Everyone Matters. The organisation aims to promote cognitive diversity in firms, encouraging "creativity and transformational thinking" to address key ESG issues including climate change, biodiversity loss and societal change.

Commenting on her departure via LinkedIn, Sharman says: "I want to express my heartfelt thanks to my wonderful UK team. We achieved so many wonderful things together for the team." ■

Prescient Ireland appoints Emily Davy as CEO

Prescient Fund Services Ireland has appointed Emily Davy as CEO.

Davy has more than a decade of industry experience, and has been with Prescient since 2018.

She joined the company as head of legal and compliance, before becoming an executive director in 2021.

Prior to this, Davy was of counsel for investment funds and asset management at legal and professional services firm Walkers.

In addition, Eoin Gleeson has been promoted to the role of chief operating officer in Dublin.

Gleeson has led the Prescient Ireland fund accounting team since 2011. Prior to this, he held supervisory and management positions within PFPC International, HedgeServ and UBS.

Commenting on her new role, Davy says: "Since I joined, we have invested significantly in the Irish business, ensuring all clients enjoy the full experience of our relationship-driven organisation.

"Our management company stands ready to facilitate international fund strategies, including with the high-quality compliance and oversight support that a top tier EU funds jurisdiction like Ireland requires."

Craig Mockford, CEO of Prescient Fund Services, adds: "Ireland represents a fast-growing component of our overall offering for our asset manager client segment servicing.

"Emily and Eoin, together with our chief risk officer Grant Jacobi, will be managing the further expansion of our offering for UCITS and alternative fund clients." ■

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Al Kishi named Deutsche Bank CEO for MEA

Deutsche Bank has announced that Jamal Al Kishi has been named as its CEO for Middle East and Africa (MEA).

Al Kishi replaces Kees Hoving, who is switching roles to become the chief country officer for the UAE.

Al Kishi returns to the same position at the bank after leaving to become CEO of Gulf International Bank four years ago.

Previously, Al Kishi held a number of senior positions at Deutsche Bank including chief country officer of Saudi Arabia. The new CEO will report to Alexander von zur Muehlen and Berthold Fuerst, CEO for Asia Pacific, Europe, MEA and Germany and co-head of investment banking coverage for EMEA, respectively.

Von zur Muehlen says: “Jamal has the thorough knowledge of our full platform in MEA and the client connectivity throughout the region that will help us capture the significant potential here.”

Fuerst adds: “We are delighted to bring back high-caliber talent like Jamal to strengthen our strategic focus on C-Suite advisory throughout MEA.” ■

Jay Biancamano leaves State Street

Jay Biancamano has left State Street after more than six years with the company.

During his tenure, Biancamano was a managing director and head of tokenisation at State Street Digital.

Biancamano has more than 20 years of industry experience, serving as senior vice president and head of business development for the Americas at software development firm Fidessa before joining State Street.

He spent more than two years as an adjunct professor of business at The College of New Jersey with a focus on blockchain, and is currently a member of Rutgers University’s Center for Innovation board, which aims to teach students how to discover and exploit patterns in data.

Commenting on his departure via LinkedIn, Biancamano says: “When I began at State Street in 2017, tokenisation as a business wasn’t even part of the vernacular and digital custody beyond crypto wasn’t even contemplated.

“We championed these ideas and while we were never able to see them through to completion, we have seen these ideas come to fruition at other firms, as well as at our clients, and I feel part of that is due to our leadership and vision.

“For the first time in a long time, I am invigorated and look forward to seeing what the future holds.” ■