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Lead news story

DTCC M2i workflow found to boost settlement efficiency

Goldman Sachs has achieved more than 99 per cent same-day affirmation rate and a significant improvement in settlement rates, according to DTCC.

This has been achieved through the use of DTCC's CTM Match To Instruct (M2i) workflow in Q4 of 2023, the company says.

When trades were matched and affirmed with investment manager counterparties who also use the M2i workflow, an additional 38 per cent reduction in same-day affirmation exceptions was observed at the bank, along with a 64 per cent reduction in US settlement fails by value.

CTM's M2i workflow reduces same day affirmation rates on DTC-eligible securities when a trade match occurs between an investment manager and an executing broker, providing central matching and auto-affirmation processes.

Goldman Sachs initially implemented the workflow in Q4 2022 as part of its project to improve settlement efficiency and create a streamlined post-trade experience. As the US approaches the T+1 go-live date, this is a priority for many firms.

Risa Lederhandler, global head of equities and securities services operations at Goldman Sachs, says: "Automation is a key enabler of operational efficiency and enhanced client experience. M2i's process increased affirmation rates by 9pm ET on trade day, a key objective as we prepare for the move to T+1.

"In addition, the M2i platform's enhanced standard settlement instruction enrichment capabilities resulted in more settlements occurring without additional input from our operations teams."

Val Wooton, managing director and general manager at DTCC, comments: "Clients utilising M2i benefit from a significant increase in same day affirmation rates for DTC-eligible trades, ultimately reducing costs related to trade fails, exception resolution costs and operational friction." ■

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IQ-EQ opens GIFT City office

Investor services group IQ-EQ has expanded its India operations with an office in India's Gujarat International Finance Tec-City (GIFT City). Atul Muchala, managing director for India, will lead both the new location and the company's existing Mumbai office, which provides fund administration to domestic clients.

Having received a licence to operate in GIFT City, IQ-EQ can now deliver administration, compliance and corporate secretarial services to alternative investment funds and other structures domiciled in the city.

IQ-EQ has more than 30 years of experience in providing international support for India-based clients, and over 300 employees based in the country.

Commenting on the expansion, Muchala says: "With GIFT City performing as India's international investment gateway, our new office presents an opportunity to service the Indian asset management and investment community for both their inbound and outbound investments, as well as for global entities to invest in India using GIFT structures. We hope to be a significant contributor to [GIFT City's] burgeoning ecosystem."

Sridhar Nagarajan, regional managing director for Africa, India and the Middle East, states: "The launch of our GIFT City business marks the continuation of an exciting growth journey in the AIME region, following the opening of our Dubai and Abu Dhabi offices last year.

"Our ambition now is to continue growing our presence in the buoyant Indian market, cementing IQ-EQ as a leading investor services provider in the world's fifth-largest and fastest-growing major economy." ■

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Crypto Finance achieves BaFin licences

Crypto Finance, part of Deutsche Börse, has received four licences from BaFin, the German Federal Financial Supervisory Authority.

Crypto Finance provides institutional-grade digital asset investment, custody and trading solutions. Its new licences include regulated digital asset trading, settlement and custody services in Germany.

This development strengthens the company's position in the European digital asset ecosystem.

Stijn Vander Straeten, Crypto Finance Group CEO, says: "Crypto Finance (Deutschland) is now licensed by BaFin, the highest benchmark in regulatory oversight, as a crypto custody provider in Germany.

"This demonstrates our commitment to transparency and security but also positions us as a trusted entity in the market, contributing to the development of a reliable ecosystem for crypto assets."

Eric Viohl, managing director of Crypto Finance (Deutschland), comments: "Crypto Finance offers a comprehensive approach as a one-stop-shop solution for digital assets." ■

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Citi to provide custody and fund administration services for Ausbil

Ausbil Investment Management has appointed Citi Securities Services to provide its custody and fund administration services.

The Australian fund manager looks to strengthen its profile further in Australia and internationally.

Mark England, Citi Australia and New Zealand head of securities services, says: "We look forward to delivering greater efficiencies to support their strategic growth aspirations.

"Our local market knowledge and commitment to client support, coupled with our best-in-class suite of solutions across execution, data and digital services, are what made us an ideal partner for Ausbil."

Mark Knight, CEO of Ausbil, adds: "Citi is uniquely placed to deliver the operational support to fuel our growth ambitions and enhance the experience for our investors." ■

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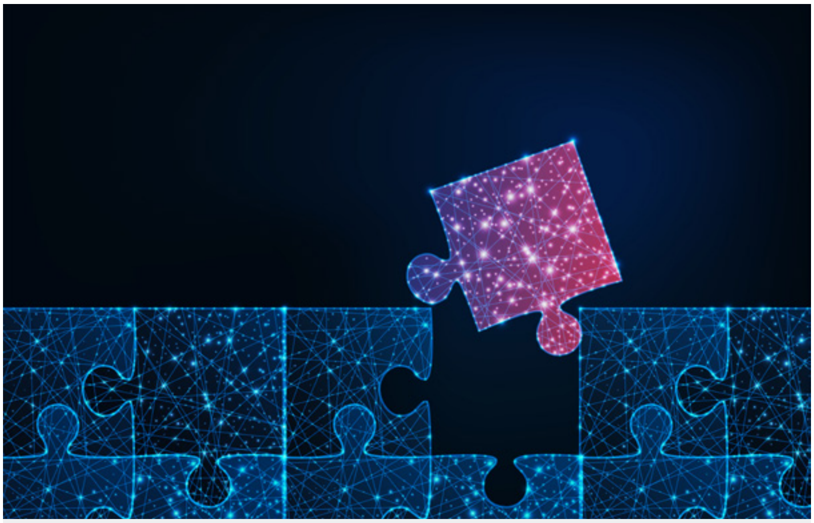

Clearstream and Quantalys Harvest Group partner

Clearstream and Quantalys Harvest Group have partnered to offer integrated digital fund selection and portfolio modelling services. Through the tool, distributors are able to search and filter investment funds matching user-specified requirements. Using criteria such as Quantalys' proprietary ratings, performance and risk categories, clients can select funds, create portfolios and improve their decision-making practices, the companies say.

The solution is integrated into the Clearstream platform and available through Xact, the company's client web portal.

Currently, distributors domiciled in France, Italy, Luxembourg and Switzerland with an existing distribution agreement with Clearstream are able to access the tool. Further rollouts are expected to follow.

Philippe Seyll, head of Clearstream Fund Services, says: "This fund selection and portfolio modelling web tool from Quantalys Harvest Group fits perfectly into the Clearstream fund universe.

"This partnership proves that we are listening to our clients and responding to their increasing needs for optimising fund selection."

Delphine Asseraf, Quantalys Harvest Group deputy CEO, comments: "Quantalys Harvest Group is extending its fund analysis and portfolio construction solutions to Clearstream clients for an optimised and innovative user experience.

"This is another key step in Harvest Group's European expansion, aiming to offer broader expertise and support to financial professionals in varying jurisdictions." ■

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Deutsche Börse Group completes FundsDLT acquisition

Deutsche Börse net revenues increased by 17 per cent to €5,077 million for the year 2023.

The increase was assisted by the acquisition of global software company Simcorp, which delivered net revenue volumes of €198 million in Q4.

The group reported a mixed year for the European fund industry in 2023.

Although it benefited from rising prices, the higher interest rates opened up alternative investment opportunities, prompting outflows from equity funds.

For Q4 2023, fund processing increased 8 per cent year-on-year (YoY) to €56.1 million while fund distributions declined 13 per cent YoY to €21.3 million.

For 2023, fund processing increased by 1 per cent YoY to €213.9 million, while fund distributions declined 5 per cent YoY to €85.3 million.

In securities services, custody and settlement were positively affected by ongoing high levels of fixed income issuance activity and higher index levels.

For Q4, securities services reported a 7 per cent YoY increase in net revenue to €371.5 million. For 2023, net revenue increased 35 per cent YoY to €1510.7 million.

Custody services reported a 3 per cent YoY increase to €152.6 million for Q4 2023, and a 5 per cent YoY rise for 2023 to €615.1 million.

There was a 12 per cent YoY rise in settlement volume recorded for Q4 to €28.9 million, with 2023 volumes rising 9 per cent YoY to €114.4 million.

For 2024, the firm aims to increase momentum in fixed income by expanding its repo offering, increasing its market share in OTC clearing and by moving into short-term interest rate derivatives.

In trading and clearing, financial derivatives benefitted mainly from higher fixed income activity, futures and repo, while lower equity volatility resulted in a decline of margin fees.

For Q4, net revenue increased 8 per cent to €582.4 million. For 2023, results rose 3 per cent YoY to €2262.8 million. ■

CNP Assurances renews Caceis mandate

Personal and property insurance provider CNP Assurances has renewed its mandate with Caceis.

The asset servicing group will continue to provide custody for the company's approximate €260 billion in assets, along with middle-office services for securities finance transactions.

This renewal builds on a more than 15-year relationship between the firms.

Joe Saliba, deputy general manager of Caceis, says: "This major mandate confirms Caceis as a key partner for CNP Assurances.

"Over the years, we have constructed a bespoke operational model that is perfectly adapted to their needs and we are committed to supporting their business development plans going forward." ■

ESAs dismiss DCCC appeal

The Joint Board of Appeal of the European Supervisory Authorities has unanimously decided to dismiss the Dubai Commodities Clearing Corporation's (DCCC) appeal against the European Securities and Markets Authority (ESMA).

The appeal was made in October 2023 following ESMA's decision to withdraw the recognition of DCCC as a Tier 1 third-country central counterparty.

The ESAs' original decision was made following the European Commission's December 2022 inclusion of the United Arab Emirates on its list of high-risk third countries under the Commission Delegated Regulation (EU) 2016/1675.

The jurisdiction was found to be presenting strategic deficiencies in their national anti-money laundering and counter financing of terrorism regimes.

ESMA's decision is now fully operational. ■

BNY Mellon and Microsoft expand partnership

BNY Mellon has expanded its partnership with Microsoft to develop a data management solution for its buy- and sell-side clients. The firms aim to improve the precision and agility of clients' data management, while enhancing risk management and operational efficiency.

Through the partnership, BNY Mellon's data and analytics workloads will be migrated to Microsoft's Azure cloud. As such, clients will benefit from continuous integration and upgrades and will be able to "fast-track" their asset onboarding, the company says.

Additionally, BNY Mellon intends to develop further data management and software products specifically for capital markets firms. These will allow for near real-time decision-making tools, improving agility and adaptability.

The companies have also stated their intention to look into the capability of AI to improve productivity and decision-making processes.

Akash Shah, chief growth officer at BNY Mellon, says: "Technology and data ecosystems are becoming more complex, competitive and cost-intensive for our clients. [The partnership] will provide our buy- side and sell-side clients with a data management solution designed to offer deeper insights and actionable data that can help improve their investment performance, distribution reach, and risk management.

"This is the latest step towards making investing more effective, easier, and less expensive."

Karen Del Vescovo, corporate vice president and US financial services lead at Microsoft, comments: "The collaboration with BNY Mellon sets the stage for a new era in capital markets, where the fusion of data analytics and emerging technologies, such as AI, powers unprecedented platform innovation and provides an ecosystem of capabilities across investment and data lifecycles." ■

SimCorp partners with Venn

SimCorp has partnered with Venn by Two Sigma (Venn) to tackle the challenge of managing multi-asset portfolios without adding to operational complexity.

Through the partnership, Venn's clients will benefit from US and worldwide equity risk factor models from Axioma (now a part of SimCorp).

Venn's flexible tools and quantitative approach and Axioma solutions' comprehensive analysis will provide investors with insights and allow them to quickly understand the impact of risk and expected returns in a constantly evolving environment, the companies say.

Chris Sturhahn, chief product officer for Axioma solutions at SimCorp, comments: "Venn's goal to refine multi-asset portfolio management aligns with the total portfolio vision we are building — natively integrating public and private markets into one platform." ■

Duco acquires Metamaze

Duco has acquired unstructured data ingestion and intelligent document processing company Metamaze. Using AI and no-code techniques, Metamaze automates data extraction and classification processes for documents and emails. Following the acquisition, clients will be able to automate the processing of both structured and unstructured data from any type of document.

Christian Nentwich, founder of Duco, comments: "By combining Metamaze with our proven enterprise-grade security and scale, we are rapidly delivering innovation safely."

Niels Van Weereld, CEO and board member at Metamaze says: "We've built Metamaze as an AI-powered self-learning intelligence platform that reads and interprets any document to extract information and data by itself." ■

Indeval picks BNP Paribas' Securities Services for local custody

Indeval, Mexico's central securities depository (CSD), has selected BNP Paribas' Securities Services as a local custodian for the US market.

The CSD is responsible for trades on the Mexican Stock Exchange and money market instruments.

As part of the Mexican Stock Exchange Group (Grupo BMV), it covers the oversight of domestic and international asset safekeeping and provides administrative duties on behalf of Mexican issuers.

Building on an existing five-year partnership between the two organisations, BNP Paribas' Securities Services will provide Indeval with tailored solutions and a client support team. ■

Fairman Consulting joins TSSAG

TSSAG (The Security Services Advisory Group) has announced Fairman Consulting (Fairman) as their newest member.

Fairman will work closely with TSSAG members to develop the group's expertise around transformation, bringing experience from its projects with financial institutions across multiple geographies.

Mark Kerns, chairman of TSSAG, comments: "We look forward to collaborating with [Fairman] given their successful track record in supporting the transformation of financial institutions across Europe and Asia."

Pierre Lubin, founder of Fairman, says: "We have already identified cross selling and collaboration opportunities in areas such as Securities Lending where AI could offer better accuracy in pricing assets of custody FX with the impact of T+1." ■

Spreading the Word

Three of Latin America's asset servicing providers reflect on the past year, the state of the markets and look ahead to a number of key elections in the region

Jack McRae reports

LatAm markets are on the rise and asset service providers in the region are optimistic that the market will only grow further. However, with a series of elections set to grip the region, the providers must be prepared for volatility and change.

Flipping the playing field

There is lots to be positive about for the upcoming year for LatAm, at least according to Maria Calderon, the head of LatAm at MarketAxess. Calderon smiles as if she can see the success of the new year rolling in already, saying: "We're very hopeful that the playing field has flipped and this year we'll see a cut, even if it's in the second half of the year. That's already causing a lot of optimism. Market participants are very active and very engaged." She adds an almost rallying cry: "I feel like emerging markets are back, LatAm is back and we're all here to participate."

Her hopefulness is shared by Claudia Calderon, head of Hispanic LatAm in securities services at BNP Paribas, who speaks to the attractiveness of the markets. She says: "Historical returns are above developed markets and strong liquidity levels, driven by the presence of relevant local entities such as private pension funds and top-tier foreign institutional investors, make LatAm an attractive destination for both local and international investors. Additionally, some of the most relevant economies in the world are in the region."

M. Elena Mesonero Lázaro, managing director of Spain and LatAm at Caceis, also agrees. She explains: "LatAm remains an attractive region for investors due to the high real yields, especially in the markets with lower volatility due to political, economic and regulatory stability. Even though inflation and interest rates are expected to fall in most LatAm countries, over the medium-term there should still be value in the fixed-income markets."

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"The merging of Colombia, Peru and Chile's stock markets stands as a pivotal achievement for regional market growth"

Claudia Calderon
head of Hispanic LatAm in securities services
BNP Paribas

LatAm Focus

Lázaro continues to speculate on the future of the market. "LatAm is looking to 2024 from a better standpoint, attracting capital despite the headwinds they face. Most of the region's largest economies have managed inflation, which should come down, although maybe more slowly than in 2023. This will pave the way for a less restrictive monetary policy in 2024, particularly in Brazil and Chile. Argentina, on the other hand, will probably be an outlier where inflation will increase."

One of the key focuses for the asset service industry in 2024 is a series of elections that could impact the markets.

"Political stability is the foundation for trust, transparency and stable regulation"

M. Elena Mesonero Lázaro, Caceis

Election fervour

With some of the world's leading powers holding key elections, 2024 can be considered a key year for democracy. In LatAm, El Salvador, Panama, the Dominican Republic, Uruguay and potentially Venezuela are set to have elections this year, as are Mexico and the US. This begs the question, how much will these elections impact asset servicing practices?

"Political stability is the foundation for trust, transparency and stable regulation," Caceis' Lázaro says. "These are key to helping both local and international investors set up new projects and to increasing domestic and international capital inflows to the markets."

Lázaro and MarketAxess' Calderon both identify the Mexican election in June as the defining one for the year ahead. Divulging further, Lázaro says: "The outcome of Mexico's presidential elections will have a major impact on future fiscal policy, nearshoring and inflation, while the outcome of US elections will be important for relations between both countries.

"Our role is to support investors and closely follow regulators' actions to remain informed about how any potential legal changes could affect our clients' investments."

Across LatAm, there are currently 12 left-wing governments in power across the region's 19 countries. How do asset service providers respond to a potential left-wing government coming into power with potentially increased regulation on the sector?

Caceis' Lázaro continues: "These governments favour state-ownership of certain businesses, higher spending, greater powers to intervene in markets and are also more protectionist, all of which are causes of concern for many investors."

The election in Argentina, South America's second largest-economy, last year sent shockwaves across the region and beyond as far-right libertarian Javier Milei was elected president.

The election of Milei 'immobilised' the markets, MarketAxess' Calderon explains. "So many times last year, we saw the markets completely paralyse. Nobody moved and nothing happened." She freezes for effect before adding, "It was like crickets: nobody would say anything, nobody would do anything. Political instability has at tremendous impact on the markets."

Despite this paralysed state, Calderon believes that the development of e-trading has changed the industry greatly.

Providing a platform

What could be described as fluctuating conditions for the markets in the region, MarketAxess' Calderon believes the ability to trade electronically can mitigate volatility.

She explains: "For MarketAxess, whether it's good or poor bad trading conditions, usually, we see inflows and outflows on our platform.

"The activity seen in Argentina following the election was very interesting, given the enormous outflows out of the country. It was

"Our role is to support investors and closely follow regulators' actions to remain informed about how any potential legal changes could affect our clients' investments"

M. Elena Mesonero Lázaro
Managing director of Spain and LatAm
Caceis

"I feel like emerging markets are back, LatAm is back and we're all here to participate"

Maria Calderon
head of LatAm
MarketAxess

our most actively traded sovereign on the platform, despite the volatility and despite trading like a distressed asset."

Calderon argues that the region has benefited from the growth of electronic trading, and is catching up with North America and Europe. She says: "In the US and Europe they are now going into very complex protocols of automated portfolio trading, but the international markets are rapidly catching up. We had a record number of new clients in 2023 coming from the international markets, demonstrating that the word is spreading."

On the other hand, Caceis' Lázaro is more sceptical, stressing that electronic trading has not had as much impact "as other developed markets in the US and Europe. There is increased demand from local and international investors for e-trading access, driven by markets like Brazil and Mexico. This would provide greater liquidity and transparency through standardised trade reporting and increased access to data."

The expansion of local markets remains a central focus for all three asset service providers.

From strength to strength?

BNP Paribas' Calderon explains that "the merging of Colombia, Peru and Chile's stock markets stands as a pivotal achievement for regional market growth. In 2023, the creation of the unified holding, NUAM, heralded a new era of opportunity."

Calderon emphasises that this opportunity will only bring further optimism and build on the existing positivity in the region.

"Now the holding is crafting every aspect of this integration project, poised to unveil a seamless marketplace by the third quarter of 2025."

On currency, "I think we'll see a return in the hard currency side," she says. "It was fully depressed last year and 2022. So I think we'll start to see stabilisation of the hard currency valuations and and a comeback to the new issue markets."

She returns once again to electronic trading and the growth of local markets, concluding that "I would expect for local markets to continue to grow in electronic trading and for the process to continue to speed up based on the protocols that we offer, on the liquidity that we offer, and the spreading of the word." ■

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Transitioning to cloud-based data management

Klea Neza discusses the transition from traditional to cloud-based data management approaches

Against the continuously changing landscape of data management, companies face a difficult decision when considering what system is the most suitable to protect, process and make use of their data.

Moving into 2024, the industry questions whether the familiarity and control of a traditional data management system (TDMS) will enable companies to utilise their information as effectively as they could with a cloud-based data management system (CBDM), which offers the advantages of improved scalability and cost efficiency. However, some warn that a CBDM system brings increased risk that could be avoided if enterprises stick to traditional methods.

In theory, an investment in both would drive companies to success, but the costs of running both methods may be too expensive for most companies. Beyond costs, a greater challenge with this approach is the need to maintain parallel data sets and to reconcile data.

This begs the questions of which data management system has the most benefits going forward, and how smooth the transition can be from one data system to another.

The cloud

CBDM systems are built to help safely store, organise and manage data within a specific organisation, or in some cases to share a common database or book of record across a number of organisations.

These systems have developed over the years to offer a number of advantages, namely scalability, accessibility, cost efficiencies at a level that cannot be achieved through TDMSs, which has led to an increase in the number of users.

Guillaume Rondy, group product manager of data and communications at SimCorp, says: “CBDM offers a more scalable and accessible approach to handling data compared to traditional methods. This adaptability is crucial in today’s dynamic business environment, where data volumes, user needs and clients’ technological landscapes are constantly evolving.”

"These technologies are new and, as such, there is a learning curve associated with getting to grips with them. Teams need to be trained on how to best use the tools available to them"

Jeremy Katzeff, GoldenSource

GoldenSource is one such company benefiting from CBDM, as articulated by Jeremy Katzeff, the firm's head of buy-side solutions, who speaks about the advantages in cloud-based delivery that are absent in the traditional data management route.

"Cloud-based tools provide flexibility through both the infrastructure and by the modular nature of the technology itself. The infrastructure is more flexible as it allows for compute and storage on demand, compared to fixed infrastructure in traditional deployments," he explains.

Due to the flexibility CBDM allows, the cloud can offer a "modular approach" to application development, enabling improved "interoperability of applications".

This reduces the time needed to develop applications and allows them to be more accessible and easy to operate.

Katzeff continues: "This allows teams to address more effectively some of the common challenges previously associated with data management, enhancing the ability of firms to quickly onboard new data sets, provide for a strong, centralised data governance process, and allowing teams to quickly access the relevant data for their needs."

Managed software-as-a-service company Snowflake, similarly benefits from CBDM, providing a single platform that enables data storage, processing, and analytic solutions.

Rinesh Patel, global go-to-market (GTM) lead of financial services at Snowflake, comments: "Cloud-native data platforms provide the flexibility to bolster performance and efficiency by allocating higher resources precisely when needed. This dynamic resource allocation enables asset servicing firms to scale up during peak demand periods and subsequently scale down to the minimum required level. This adaptive approach ensures optimal performance, thereby achieving cost efficiencies."

Transition period

Simcorp, GoldenSource and Snowflake each indicated that they have benefited substantially from CBDM. However, the transition from legacy to modern technology has been a challenge for some market participants, in some cases exposing a company to new sources of risk. Although moving to CBDM may boost company profitability, data security concerns, lack of staff training and data privacy issues may arise as a result of this transition. This leaves companies with difficult decisions to make.

GoldenSource's Katzeff comments: "These technologies are new and, as such, there is a learning curve associated with getting to grips with them. Teams need to be trained on how to best use the tools available to them, as well as how to create new system designs to incorporate these new tools and platforms.

"The move to cloud is [often] coupled with a wider technology transformation, so teams face difficulty with designing the future state operating model, and then securing budget and implementing those design choices."

As GoldenSource suggested, a scarcity of skilled workers will lead to decreased output and a possible cut in the company's revenue. There's certainly a risk from moving from TDMS to CBDM, but how many companies are willing to move forward with this change in the year ahead?

Snowflake's Patel sheds light on three main challenges that can occur as a result of transitioning between TDMS to CBDM: prioritisation, risk and migration, and governance and compliance.

"Many businesses require an in-depth review of business priorities," he notes, "to accurately assess use cases which are critical to strategic business goals, and where the business growth outcomes have sufficient margin to offset the migration and modernisation cost."

Patel also highlights the significant migration cost of moving from TDM to CBDM. "Any migration or implementation incurs cost and stability risk, but many organisations lack the cloud maturity or expertise to mitigate the risk of cloud components," he says. "Therefore, financial institutions must carefully consider talent management programmes or external consultants, together with cloud spend management and project milestone derisking."

The third challenge is governance and compliance: "It is imperative that the cloud does not have a net-negative contribution to platform consolidation and governance processes. While cloud consolidation offers the opportunity to governance and compliance teams to consolidate and certify a single source of truth for the organisation, all too often the organic nature of development can lead to a larger, more fragmented data surface, potentially even eroding standards of governance and compliance process within the organisation."

The numbers

Despite the challenges that may come with the transition of TDMS to CBDM, the latter is a more modern way to manage data that is increasing in demand. SimCorp's 2024 InvestOps survey, 'Embracing a New Operating Reality: Perspectives from 200 Global Buy-side Operations Leaders', demonstrates the need for better data management globally. Nearly half of the respondents reported that they wanted to improve data and operations support for multi-asset investment strategies, with 32 per cent of respondents wishing to migrate to cloud based applications.

"Many organisations lack the cloud maturity or expertise to mitigate the risk of cloud components"

Rinesh Patel, Snowflake

"At GoldenSource, we have seen that firms can achieve up to a 30 per cent reduction in current total cost of ownership by taking advantage of the benefits afforded by adopting cloud based data processing," says Katzeff.

"We have built a cloud data warehouse and have partnered with Snowflake to develop a native application, which allows clients to deploy our cloud data warehouse directly on Snowflake, leveraging our robust data model and data pipelines. We look forward to further enhancing our cloud capabilities in 2024 to meet the evolving needs of our global client base."

CBDMing your way into 2024

As new technologies develop and firms expand their data use cases, companies continue to refine their use of CBDM for specific use cases and practical challenges.

Maintaining parallel data sets whilst switching from one data management to another remains challenging, but the benefits that come from a quick and efficient database appear greater than the overall costs and losses. ■

Up To The Task

The asset recovery process continues to evolve, combating crime and corruption in an increasingly connected world

Lucy Carter reports

Asset recovery is a key part of anti-corruption operations across the world.

The majority of states have asset forfeiture and confiscation mechanisms in place, with some having additional 'extended' confiscation measures in operation, whereby prosecutors can target additional assets of a convicted person if that person is unable to prove their legal origin. It might seem like the potential for a criminal to lose their spoils is threat enough to put them off of their exploits, but unfortunately this is often not the case.

Speaking to AST, the Basel Institute of Governance states that "there is a growing recognition that these 'baseline' asset recovery mechanisms alone will never be sufficient for asset recovery to be an adequate deterrent to corruption and other serious and organised crimes".

It's a bleak overview, but one that organisations, governments and individuals are working tirelessly to improve.

Making Change

"We have long encouraged states to adopt and make use of less traditional forms of asset forfeiture mechanism," the Institute says, two of which are non-conviction based and civil forfeiture mechanisms and illicit enrichment laws. The former allow the recovery of assets in cases where criminal proceedings do not take place or are not completed, while the latter combat what the UN Convention Against Corruption defines as "a significant increase in the assets of a public official that he or she cannot reasonably explain in relation to his or her lawful income". This is a priority for other organisations, too, as demonstrated in the Financial Action Task Force (FATF)'s recommendations for international standards on combating money laundering and the finance of terrorism and proliferation.

The clarification and strengthening of asset recovery obligations was a feature of two of its October 2023 recommendations, building on its 2022 joint asset recovery prioritisation initiative with INTERPOL.

Recommendation 4 decrees that "countries should ensure that they have policies and operational frameworks that prioritise asset recovery in both the domestic and international context".

In interpretive notes for the recommendation, FATF clarifies that "countries should have measures, including legislative measures, to enable the confiscation of criminal property without requiring a criminal conviction in relation to a case involving money laundering, predicate offences or terrorism financing, to the extent that such a requirement is consistent with fundamental principles of domestic law."

Commenting on the FATF's notes, the Basel Institute says: "This is a welcome move that we hope will lead to greater adoption and acceptance of non-conviction based and civil forfeiture mechanisms globally," before adding that these types of mechanisms are becoming recognised as best practices in the asset recovery space.

Asset Management

Once assets are seized, the next challenge is keeping them safe.

According to the Stolen Asset Recovery Initiative (StAR), created by The World Bank, the management of recovered assets is high on the priority list for anti-corruption professionals. It's important for seized assets to maintain their value before an official confiscation decision is reached. If this is not achieved, there could be serious implications on the full recovery of stolen assets; or, if the asset is returned to the defendant, the government may be held responsible for any loss of value.

Firms also face flack from the other side of the conflict in this case. If the value of an asset is not preserved, then the government may have to compensate a defendant for mismanagement using public funds, which is unlikely to go down well with constituents.

Even more risks emerge with cross-border cases. Shortfalls from particular jurisdictions may harm international relations, weakening trust between countries and prompting hesitancy when it comes to future asset recovery operations. This may reduce public confidence in the legal process and governmental control.

There are a number of challenges associated with this management process. The value of an asset may fluctuate over time for reasons outside of the control of the management company, and the duration that the management company must hold the assets is not always determined.

StAR's 'Managing Seized and Confiscated Assets' report advises asset management offices to "take care of assets in their custody as if they were their own", going on to say that assets in classes outside of their immediate field should be handled by experienced contractors.

It also advocates for the sale and use of seized assets prior to a confiscation decision, if this would help to maintain their value. This is not applicable to all assets and all jurisdictions, but such interim sales can be an important way to prevent value depreciation and, in certain cases, reduce maintenance and storage costs for the asset manager.

The Global Forum on Asset Recovery, hosted by The World Bank, affirmed in its 2017 'Principles for Disposition and Transfer of Confiscated Stolen Assets in Corruption Cases' that the distribution of criminally acquired assets should be treated in a case-specific manner.

Education and Cooperation

StAR advises that asset management companies consult one another on their asset-recovery related initiatives, including issues of cost efficiency. In GFAR's principles, partnership between jurisdictions and organisations tops the list, followed by the necessity of mutual agreements on asset transfer processes and early dialogues between countries.

"Among policy makers, greater awareness generally about the importance of asset recovery to sustainable development and crime prevention" is needed, the Basel Institute on Governance tells AST. Additionally, these individuals must be aware of "the different mechanisms they could adopt and implement to improve asset recovery rates." For criminal justice practitioners, the Institute advocates for the development of practical skills.

A number of mechanisms can be put in place to improve collaborative efforts, the organisation explains. Many of these are based around education; peer learning networks, capacity building initiatives and tailored training programmes are all important and effective routes to follow, with the organisation offering a number of eLearning courses and international conferences and forums to encourage industry-wide conversation and problem solving.

Alongside education, it's also vital that the infrastructure is in place to allow international cooperation to take place and run smoothly. These include public-private information partnerships such as the Joint Money Laundering Intelligence Taskforce (JMLIT), which aims to combat complex, multi-institutional and multi-jurisdictional money laundering operations. Established in 2015, the UK National Crime Agency reports that more than 950 law enforcement investigations have been supported and developed, more than 280 arrests have taken place and over £86 million has been seized or restrained. More than 6000 internal investigations have been conducted, and 7400 accounts suspected of being connected to money laundering have been identified.

Informal information and cooperation channels also need to be created, says the Basel Institute. For example, organisations like the Camden Asset Recovery Inter-agency Network (CARIN) connect law enforcement and judicial practitioners involved in the asset recovery space in an "informal" manner. By linking individuals across countries, CARIN aims to "increase the effectiveness of its members' efforts on a multi-agency basis" and facilitate more effective recovery of illicit, criminal profits.

Legal Variations

"There's a huge variety not only of laws and practices but of legal systems generally," the Basel Institute says, "starting with common law and civil law". The disparities between different regions and systems, whether negligible or major, can prove challenging when it comes to effective international cooperation and operations, but the Institute also highlights the learning opportunity that it provides between regions.

Variations can also be useful when it comes to supporting other jurisdictions. The Basel Institute points out examples from H2 of 2023, when Jersey concluded a 10-year asset recovery operation involving Indonesia. Switzerland's assistance to Ukraine is also a key example of international cooperation, with the country stepping in to launch administrative confiscation proceedings after Russia's invasion prevented Ukraine from actively pursuing criminal proceedings.

Using the full extent of a country's laws, including legal pathways that have long been irrelevant or unused, can be a lifeline for regions without the sufficient resources or legislation to conclude operations.

Crossing Borders

This is particularly relevant given findings from the International Centre for Asset Recovery (ICAR), part of the Basel Institute of Governance, that low- and middle-income countries suffer the most from the impact of corruption, a fact that emphasises the need for international cooperation. In addition to legal assistance, high-income countries "can, of course, fund anti-corruption and asset recovery efforts to support sustainable development in low- and middle-income countries", the Basel Institute affirms. Setting an example, the ICAR is working with funding from Jersey, Liechtenstein, Norway, Switzerland and the UK to reach other jurisdictions, and is running a number of specific projects across its partner countries.

It's clear that programmes like these are both necessary and welcome, but there's still a long way to go. Further partnerships need to be established and curated globally and, particularly as financial crime becomes increasingly global and cross-border, collaboration is key.

"According to the 2023 Basel AML Index report, states are getting better at tracing and seizing illicit assets domestically, but confiscations are still far too rare when assets are hidden in a foreign jurisdiction," says a Basel Institute representative. Gaps in implementation and international cooperation remain prevalent, and developments in recovery laws will only go so far in such a connected world.

This issue was addressed in the recommendations on international cooperation for anti-corruption, published by the Basel Institute, Transparency International and the Government of Moldova in March 2023. The paper, while acknowledging the global progress that has been made over the past 10 to 15 years, warns that a number of key challenges remain in the space. These include non-cooperative territories, the slowness of mutual legal assistance, its lack of resources and excess of bureaucracy, a lack of political will and the combative nature of corrupt individuals and organisations.

"States are getting better at tracing and seizing illicit assets domestically, but confiscations are still far too rare when assets are hidden in a foreign jurisdiction"

Basel Institute of Governance

ICAR

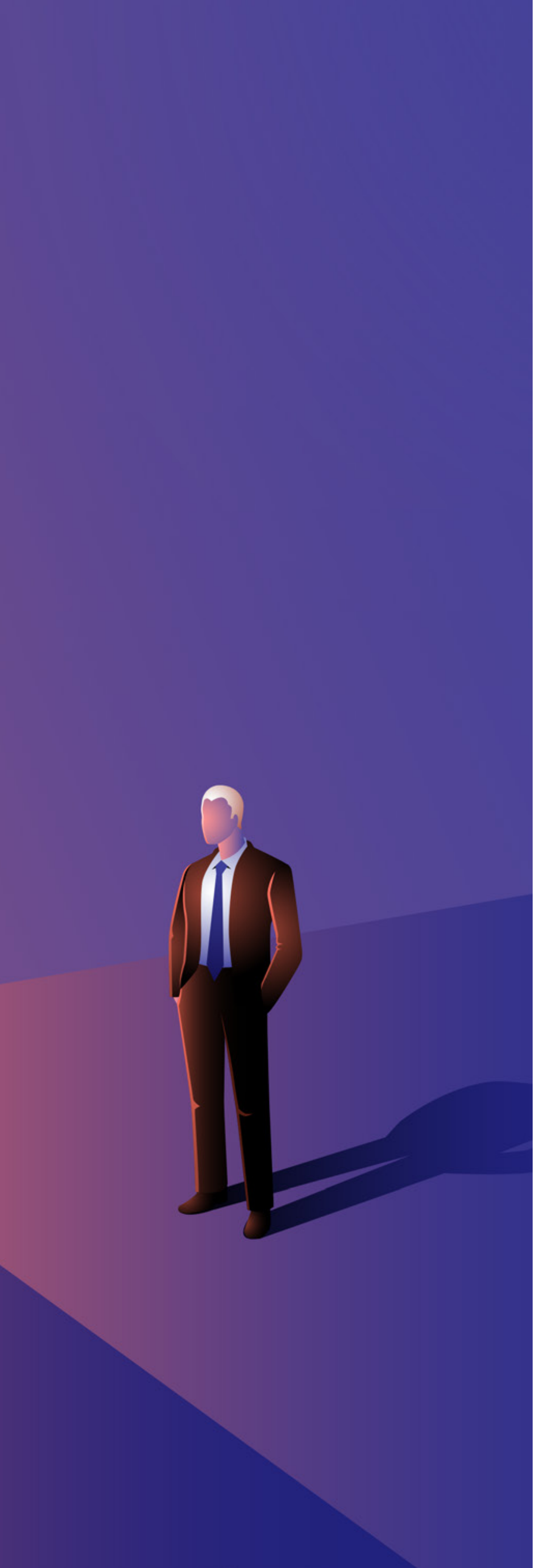
ICAR is coming to the end of its 2021 to 2024 operational strategy. Five priorities were outlined in the document, namely taking a more chain-linked and technical approach to the asset recovery value chain, increasing value for money and economies of scale through stronger regional clusters and expanding to become a "global player" in the asset recovery space. Connected to this, the centre stated its intention to further engage with partner countries through comprehensive country investments and develop its educational and advocacy operations worldwide.

With less than a year to go, the centre will soon be releasing the next phase of its strategy. Although significant progress has been made in recent years, the asset recovery process must continue to evolve and adapt to changing circumstances. The job of ICAR, the organisations it works with and the legal and financial sectors as a whole, is far from over. ■

Bridging the generational divide

Davies Group's Carolyn Blunt and Richard Dodds speak to Asset Servicing Times about the difficulties in recruiting and training new staff

Jack McRae reports



As Kim Kardashian once said, “It seems like nobody wants to work these days.”

Whilst many may scoff at taking Kardashian’s words as gospel, there are serious and widespread criticisms levelled at young people and their attitudes towards work. You only need to do a quick Google search to find hundreds upon thousands of various apparent surveys of young people who ‘don’t want to work’.

Who are these young people that don’t want to work? There are a number of terms to describe them. Some might call them Gen-Z, the TikTok Generation, skinny jean killers, avocado eaters or oat latte drinkers.

But, do they really not want to work? Or are young people’s attitudes no longer conducive to a career in financial services?

Selling finance

“In attracting young talent to the [financial services] sector, we’re up against it a little bit.” Carolyn Blunt, vice president of academy talent solutions at Davies Group explains. “Unless they’ve been exposed to the industry by family, it’s not necessarily an area they gravitate to.”

Blunt oversees part of the recruitment and training process of young people for Davies, which includes former financial services consulting firm Sionic. She raised her concerns about the industry to Asset Servicing Times at the end of 2023.

Now, a couple of months later and after walking into their offices — which catch the eye with an almost intimidating modernity, slickness and professionalism — Blunt takes us into a separate meeting room complete with its own digital calendar and booking system.

Aside from the impressive office building, fancy elevator system and state-of-the-art technology systems, what could draw a young person to work here?

“I can’t say I’ve met a kid at 16 or 18 who has said, my passion is assets.” Blunt laughs. “They just don’t know what it is and they don’t know how to find that passion. Leaders and mentors in the sector have to help them find the benefit of that.

“A lot of people don’t know the industry, so it’s about demystifying and simplifying it.”

"Having a visible career pathway and progression is appealing to young people, particularly graduate and apprenticeship schemes"

Carolyn Blunt, Davies Group

As Blunt suggests, many young people are unaware what asset servicing is or what a career in the industry would offer. Without already knowing anyone in the industry, be it a friend or family member, it could just look like any finance job.

This can become a particular stumbling block in the initial attraction of new recruits and has resulted in a shift to targeting UCAS events and visiting schools and university career fairs. "Having a visible career pathway and progression is appealing to young people, particularly graduate and apprenticeship schemes," Blunt says.

Richard Dodds, partner at Davies, adds further detail. He says: "Asset servicing, and especially graduate schemes, are still attractive to young people. Saying that, it's important for companies to emphasise their company vision and purpose, how they're focused on servicing all their key stakeholders, but especially their staff, their communities and the environment, not just shareholders and management."

He continues: "Asset servicing is at the forefront of technical evolution and development. New data strategies and technology are transforming the industry and breaking down the barriers to entry for new companies and there are many fintech firms entering the market, which are creating new roles.

Returning to Blunt, she says: "Young people are then looking at the culture of the firm, how they can be impactful in a broader sense than just making more money for people who've already got a lot of money — examining whether they can impact the ESG element.

"Young people see the sector as quite traditional and they want to do more than just make money. They want something that's going to be valuable and do good to the world, not just their own pockets."

According to the Office for National Statistics (ONS), adults in Great Britain aged between 16 and 25, who would be classed as Gen-Z and a target for recruitment into the financial services industry, are the age group with the highest proportion of people, 33 per cent, who felt 'very worried' about the impact of climate change.

If one-third of all potential young recruits are 'very worried' about climate change, then a firm's ESG strategy could be a swing factor and a potential draw.

"They might think, 'I am potentially interested in a career in financial services, but actually, I am most interested in elements of that which will impact ESG the most. How are we going to move to green energy? How are we dealing with climate change? How can we mitigate floods and disasters?' That's what is appealing to young people," Blunt says.

Perhaps catching my glances at the fancy gadgets and screens around the room, Blunt continues to credit the impressive growth of technology in the sector. She explains, wide-eyed, that the "technology side is very exciting. It can be very creative and there has been a rapid shift from paper-based to platform-led delivery, which is all very data-driven. That does excite the next generation of talent."

Yet, the growth of technology may have made teaching young people more difficult.

Mic off, camera off

One of the greatest shifts in the industry as a result of Covid-19 was the growing reliance on technology, which has left a legacy of Zoom, Teams and Google Meet calls. A survey conducted by the ONS in February 2022 found that 84 per cent of workers who had to work from home during the pandemic planned to carry on a hybrid scheme of working.

This has also been reflected in the recruitment into the asset servicing industry as Dodds has identified. He says: "Young people who perhaps have parents that used to traipse into a City office, on inefficient public transport, five days a week did not see the industry as attractive. However, with more flexible working conditions and typically higher than average salaries, the roles are more appealing. Candidates are insisting on more flexible work and are less willing to compromise on an equitable work/life balance, with less time in the office, alongside a reasonable salary for hours worked, even if WFH. This is not necessarily a bad thing; it just means certain roles that require more in office presence are more challenging to fill."

Blunt is exasperated as she talks about her struggles with online teaching and the dread of having young people refuse to turn on their cameras and microphones in a group call.

However, Blunt does not want to put blame on young people. She says: "If nobody's helped them make that transition into working life then starting can be quite daunting. They can be quiet and nervous. There's an embarrassment factor; they don't want to put themselves out there and stand out too much."

Blunt goes further to suggest that young people are willing to return to in-person work, but that this has been made more difficult by the pandemic.

Pandemic lockdowns prevented young people from taking exams, going to parties, graduations or enjoying a real university experience. Blunt considers the impact this has had on their approaches to working in a career in asset servicing.

"They might have missed out on building relationships. It can be quite isolating if you're still living at home with your parents, and all of your work is online. They missed out on so much developmental experience that you absorb through osmosis."

The impact of this is key to the struggles young people face in entering a working career.

The generation gap

"I think the resilience [of some young people] is quite low," Blunt explains. "As a result of the pandemic, they haven't built up that experience of dealing with difficult face-to-face interactions."

Not convinced by the argument, I question whether the problem is that pressures on young people today far exceed those of previous generations, particularly given social media's omnipresent existence in their lives, rather than young people demonstrating a lack of resilience.

On social media a person can filter, edit and shape their posts to how they want to be perceived. Does that then bring added pressure in person when they don't have a filter, they can't edit what they say and their mistakes can't be deleted?

"That's a really good observation." Blunt says, "It's that ability to filter and project what you want online that's impacted in-life person interaction. It's almost safer to just sit back and see how it plays out before you put your head above the parapet.

"Social media brings a huge pressure to look good, be popular, cool and have this perfect life. But that's not a real projection."

The growth of technology and social media has created a necessity for young people to be constantly online, but Blunt assesses that that has had severe consequences.

"When I was a kid, if you were bullied at school, you came home and shut the front door and they couldn't get to you. Now, it's just constant." She tails off, pausing for a moment to think. "I am a parent of teenagers and you need to watch for those signs in your kids. It's difficult. Suicide is something that, unfortunately, is very prevalent with young people and you need to watch for the signs"

How are these online stresses on young people dealt with by the older generation?

Blunt continues, "Work might be one of the few times where a young person has an in-person interaction with someone outside of their immediate family that week. This can often mean the line manager becomes a life coach and has to take on the burden young people are suffering in their personal lives. These managers don't know how to deal with this. It's hard work, it's scary and things are not how they were when they were that age. We've got to support those line managers."

If young and older generations are unable to understand each other's problems, how can young people be supported early in their careers?

See it, be it

For Blunt, the solution appears possible, but she realises that it may be complicated — owing to traditional, deep-rooted issues in the industry.

"Young people need others they can relate to in the sector." Blunt emphasises, "It is far better to have that than some senior person coming to talk to them who's been in the industry for 30 years. That's like their parents talking to them."

If young people are unable to relate to others in the sector, Blunt explains that they are far more likely to drop out of the industry. Blunt says, “If we don’t manage to change, then that is never going to change. It is a case of if you can’t see it, you can’t be it.”

The difficulty faced by recruiters and those in the asset servicing industry can be in finding diversity. “The financial services sector is in this square mile.” Blunt draws an imaginary square with her hands, mapping out St Pauls and Bank.

“I do worry, particularly as a northerner myself, that young people from other locations who don’t have the money to spend on train tickets and posh coffees won’t want to come. If we don’t change the dynamic and diversity of the sector then the problem just perpetuates.”

As we reach the closing stages of our meeting, demonstrated clearly by the large interactive timetable mounted on the wall, the conversation shifts to the worth of young people to financial services.

If many older people are struggling to adapt to the needs of training young people in the industry, could employers switch their focus to employing those with experience already — a pre-made model in many regards?

Blunt takes the analogy further. “Recruiting and training staff is a bit like working on an asset servicing platform.

“ A firm can decide whether they want to buy some technology in or develop it in-house — and the same applies to talent. You can either buy the talent in or you can build that talent from the grassroots up in-house. Neither is necessarily perfect.”

Whilst it may seem a little reductive to limit each employee to a piece of technology in the industry, Blunt finds clarity in the analogy. She explains,“One might be a quicker win and one might be a slower burn.”

Blunt concludes warmly, offering sympathy and understanding to the difficulties young people face in employment.

She opens up on the value she finds in seeing those young trainees grow up through the company into important positions. She can watch them grow.

Blunt smiles sympathetically, as if calling on the entire industry to be patient with young people: “If you build those young people up yourself, they will be more what you are looking for. You will have had that opportunity to shape and mould them into the employees you need.” ■

Carolyn Blunt
Vice president of academy talent solutions
Davies Group

Richard Dodds
Partner
Davies Group

"I will be responsible for driving the direction of our Super ManCo AIFM and UCITS management company business"

Rooney appointed CEO of TMF Fund Management in Ireland

TMF Group has named Lorraine Rooney as CEO of its fund management group in Ireland.

Rooney will be responsible for leading a team providing fund management company services and solutions across a wide range of fund strategies and structures.

Rooney joins TMF Fund Management from Goodbody Fund Management where she was general counsel and head of product. She has also held a number of senior positions in Irish and international law firms that regulate fund service providers.

Rooney says: "In addition to deepening TMF Group's international fund services offering, I will also be responsible for driving the direction of our Super ManCo AIFM and UCITS management company business, and overseeing the delivery of risk, investment management and compliance services. This is in order to continuously ensure the highest standards of fund management governance and oversight for our valued clients."

James Coughlan, market head for the British Isles and Ireland at TMF Group, adds: "While our Super ManCo primarily focuses on alternative investment funds in the real assets sector, Lorraine will also look for additional opportunities in the UCITS space and new opportunities overall to further support global asset managers looking to establish and operate Irish funds, particularly in the private assets sector." ■

Clive Bellows promoted at Northern Trust

Northern Trust has appointed Clive Bellows as EMEA president and a member of the Northern Trust Management Group.

He replaces Teresa Parker, who is set to retire later this year, and will report to Pete Cherecwich, president of asset servicing.

Bellows has more than three decades of industry experience, and currently serves as head of EMEA global fund services at the company.

Prior to this, he was a managing director and head of relationship management for asset managers and hedge funds at JP Morgan Chase.

Earlier in his career, Bellows was an executive director and global head of client services for global markets at Deutsche Bank.

Michael O'Grady, Northern Trust chairman and CEO, says: "Clive brings a wealth of experience to this role and is an ideal leader to head our EMEA region.

"Teresa has been a tremendous partner in all aspects of our business, and we thank her for ably representing Northern Trust with professionalism, integrity and consummate leadership." ■

Luke Lu promoted at Citi China

Citi has appointed Luke Lu as country officer and head of banking for China. He has also been named president and board director of Citibank (China).

In the role, Lu will oversee the firm's businesses and operations in the region, maintain client relationships and ensure that regulatory commitments are met.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He replaces Christine Lam, and will report to Angel Ng, head of Asia North and Australia cluster and banking.

Lu has more than 20 years of industry experience, most recently serving as managing director and head of China corporate banking.

The bulk of his career has been spent with the company, where he held various positions between 2002 and 2017 and from 2019 to present. These include managing director and head of corporate banking for East China, general manager of the Shanghai branch and, most recently, managing director and head of technology, media and telecom for the China corporate bank.

In the intervening years, Lu spent two years at MUFG where he held a number of roles including deputy head of the global corporate bank in East Asia. He was also general manager of the China business division for the company's China outpost.

Commenting on the appointment, Ng says: "The China market is a strategic priority for Citi. Luke has a strong track record of delivering business growth, having knowledge and unique insight of the China market. He is well-qualified to grow our business [there]."

She adds: "I would like to thank Christine for her leadership of the Citi China franchise in the past seven years." ■

Viverito joins Clearwater Analytics

Clearwater Analytics has appointed Keith Viverito as EMEA managing director.

Viverito has more than two decades of industry experience and joins Clearwater Analytics from BlackRock, where he was a managing director and EMEA head of business development for the company's Aladdin business.

Earlier in his career, Viverito held a number of senior sales positions at Markit, FactSet and Thomson Reuters.

Commenting on his appointment, Viverito says: "I am honoured to join Clearwater at this important time for our international business as we transition into our next phase of growth and accelerate our expansion across EMEA and APAC.

"The success the company has already achieved, with significant wins across these markets where Clearwater displaced legacy competitors, provides a very strong foundation for growth."

Sandeep Sahai, Clearwater Analytics CEO, states: "Keith has a deep understanding of our industry and is a perfect fit to lead Clearwater's expansion internationally. We look forward to his contributions as we expand globally, foster innovation across our suite of product offerings, and achieve long-term success in EMEA and APAC." ■

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