ASSET SERVICING TIMES

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PERSPECTIVE IS EVERYTHING

Duco's James Maxfield, discusses the company's refreshed Reconciliation Maturity Model

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Lead news story

SmartStream launches new regulation service

SmartStream has launched its RegRegistry service as part of its reference data services (RDS) business.

According to the company, the new solution will consolidate multiple regulatory indicators, including those from the European Securities and Markets Authority and the Financial Conduct Authority, into one area. This is said to make it easier for firms to remain compliant across jurisdictions and reduce counterparty risk.

The offering also will provide financial institutions with accurate and timely data on trade and regulatory frameworks, such as MiFID II, SmartStream says.

Linda Coffman, executive vice president, SmartStream RDS, says: "With evolving regulatory requirements, our clients needed a solution that simplifies compliance, while ensuring data accuracy. The RegRegistry Service answers this demand by automating the collection and tracking of regulatory registry updates daily." ■

AST

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Contents


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internal controls
post trade settlement
risk mitigation
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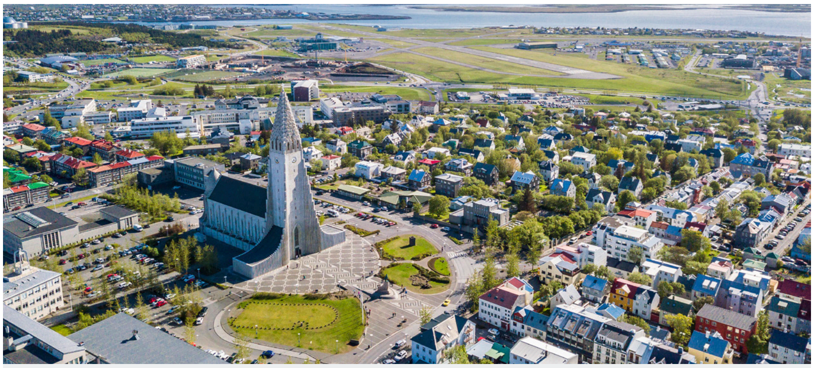


J.P. Morgan selected by Iceland's Pension Fund of Commerce

J.P. Morgan has been selected by Lífeyrissjóður verzlunarmanna (LV), Iceland's Pension Fund of Commerce, to provide asset servicing solutions.

They will provide global custody, fund accounting, FX, performance, risk and compliance reporting services, across LV's securities portfolio.

Arne Vagn Olsen, head of asset management at LV, comments: "We chose J.P. Morgan as our partner due to their broad service offering, international experience, and solutions that can grow with us into the future."

Allan Nedergaard, head of Securities Services Sales for the Nordics at J.P. Morgan, adds: "J.P. Morgan is proud to begin our partnership with LV, and support their continued growth. This new mandate further strengthens our long-standing commitment to the Icelandic market and reinforces our position as the leading securities services provider for institutional clients in the Nordics."

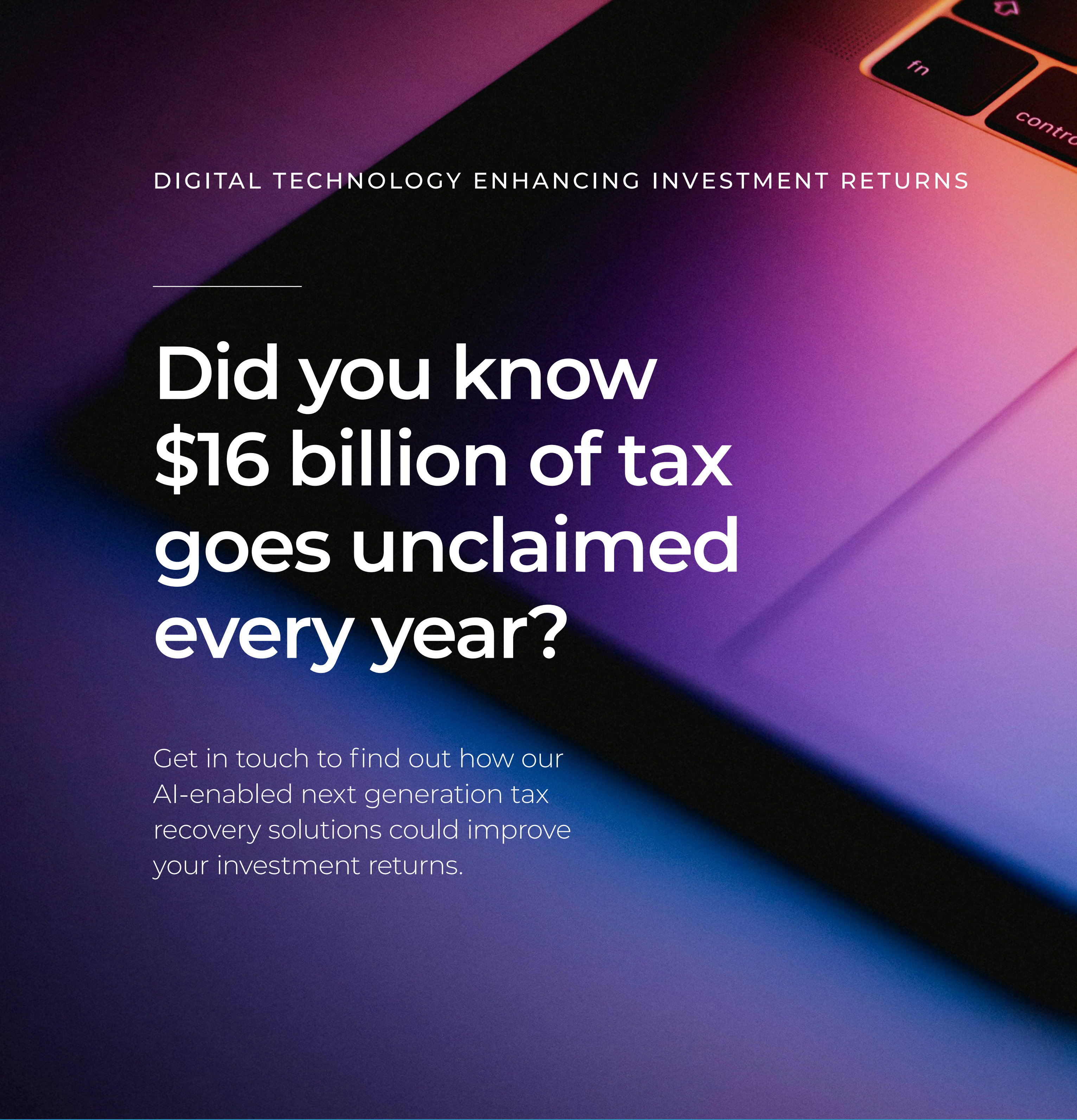
Turquoise and LeveL Markets partner

LSEG's pan-European trading platform Turquoise and US-based trading marketplace LeveL Markets have partnered. Turquoise will offer a new block manual conditional order type to the buy side, as well as nominated broker members, using Turquoise's Luminex platform.

The manual conditional order type aims to enable trading participants to have greater control over their larger block orders and to seek liquidity with reduced market impact by self-directing orders to Turquoise.

Adam Wood, CEO at Turquoise Global, says: "We are delighted to partner with LeveL Markets to expand our dark trading offering on Turquoise and to launch our new solution for large block trading. This further underlines our commitment to providing our members with diverse sources of liquidity and working with the market to deliver increased efficiencies and functionality across our equity trading services."

Steve Miele, CEO at LeveL Markets, adds: "With the launch of this exciting partnership with Turquoise, we are able to further deliver on our purpose to satisfy the liquidity needs of buy-side firms."



CACEIS to provide depositary services for Vesper's fund

CACEIS has been selected to provide depositary services for Vesper's maiden fund, Vesper Next Generation Infrastructure Fund I.

The fund's Alternative Investment Fund Manager (AIFM) is advised by Vesper Infrastructure Partners SRL, an advisor in the European value-add infrastructure space.

CACEIS performed the migration of all servicing aspects over to the group's systems.

Livio Fenati, managing partner and founder of Vesper Infrastructure Partners, states: "Selecting CACEIS as depositary bank gives us access to their experienced global team that will support our business development going forward. Migrations are always a key concern in such decisions, but CACEIS's experience in this domain and speed of execution was evident during the entire process and the positive outcome has validated our choice."

T.Rowe picks SS&C

SS&C will provide transfer agency services for T.Rowe's open-ended investment company funds.

This will act as part of the firm's now-extended transfer agency agreement with SS&C Global Investor and Distribution Solutions (GIDS) for its UK fund range.

Denise Thomas, chief operating officer, EMEA, at T. Rowe Price, says: "SS&C's distribution solutions have been key in supporting us to provide excellent service to our clients in the UK. We are pleased to extend our partnership and explore the innovations they can bring to the table."

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IQ-EQ agrees to acquire AMAL Group

IQ-EQ has signed an agreement to acquire AMAL Group, a corporate trust, agency services and loan servicing solution provider.

This forms part of the investor services firm's plan to expand into Australia and New Zealand, and comes amid accelerated growth in Australia's corporate trust market.

Mark Pesco, group CEO at IQ-EQ, comments: "The AMAL Group's addressable market spans the four key reporting segments of trustees — securitisation, wholesale loans, funds, and managed investment trusts — each of which have unique market dynamics and client requirements.

"As the only scaled end-to-end provider of trustee services and loan administration in Australia and New Zealand, this positions us to grow our corporate trust and loan administration business in synergy, cross-selling into our global client base and servicing our existing global clients amid growing demand for services in these new markets."

CEO of AMAL Trustees Nick Procter adds: "Being part of a dynamic global player like IQ-EQ is a terrific market development that will enable AMAL to better service its existing clients and offer new products and services to a wider variety of markets and strategies.

"This transaction is good for everyone; for both businesses, for our clients and for the expert team of people who will help drive a smooth integration, business growth and success. We're excited about what we can offer the Australian market and can't wait to get started together."

Following approval from the Foreign Investment Review Board, AMAL Group will be rebranded to IQ-EQ.

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Canso selects SimCorp

Canso Investment Counsel has implemented SimCorp's investment management platform, SimCorp One.

The solution will help enhance Canso's portfolio management operations through the consolidation of data and assets onto one platform, SimCorp says. It also aims to help the firm with compliance, trade operations, and downstream support for back-office activities.

Josh Merchant, chief technology officer at Canso, says: "Throughout our partnership, SimCorp has demonstrated an understanding of our unique operational and investment needs, and we're confident that adopting SimCorp One will streamline our investment processes to support our firm into the future."

Allen Zimmerman, managing director, head of Americas at SimCorp, adds: "This new partnership highlights SimCorp's expanding presence in the asset management space across the Americas and the importance of our expanding footprint in Canada."

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Apex Group appointed fund administrator for Mutual Limited

Apex Group has been appointed as fund administrator and transfer agency service provider for Mutual Limited's retail funds business.

Mutual Limited will transition administration for its Mutual Cash Fund, Mutual Income Fund, Mutual Credit Fund, and Mutual High Yield Fund — four retail products — to Apex's fund solutions platform.

The solution aims to deliver a streamlined portal; offering greater visibility, faster transaction processing, and improved reporting tools.

Thomas O'Neill, business development director at Apex Group, says: "Being appointed as administrator for Mutual Limited is further evidence of our commitment to the market and ability to support managers with their digital transformation and added product functionality that enables future growth."

Standard Chartered and OKX create collateral programme

Standard Chartered and OKX have launched a collateral mirroring programme.

The companies say that the new programme will allow institutions to utilise cryptocurrencies and tokenised money market funds as off-exchange collateral for trading.

The initiative also aims to enhance security and capital efficiency through the use of a globally systemically important bank (G-SIB) as the collateral custodian.

The programme has been launched within the Dubai virtual asset regulatory authority's (VARA) framework as a pilot, where Standard Chartered will act as the independent, regulated custodian.

Hong Fang, president of OKX, notes: "By leveraging Standard Chartered's position as a top custodian globally, as well as OKX's market leadership in cryptocurrency trading, the partnership sets an industry standard for current and potential institutional clients to deploy trading capital at scale in a trusted environment." ■

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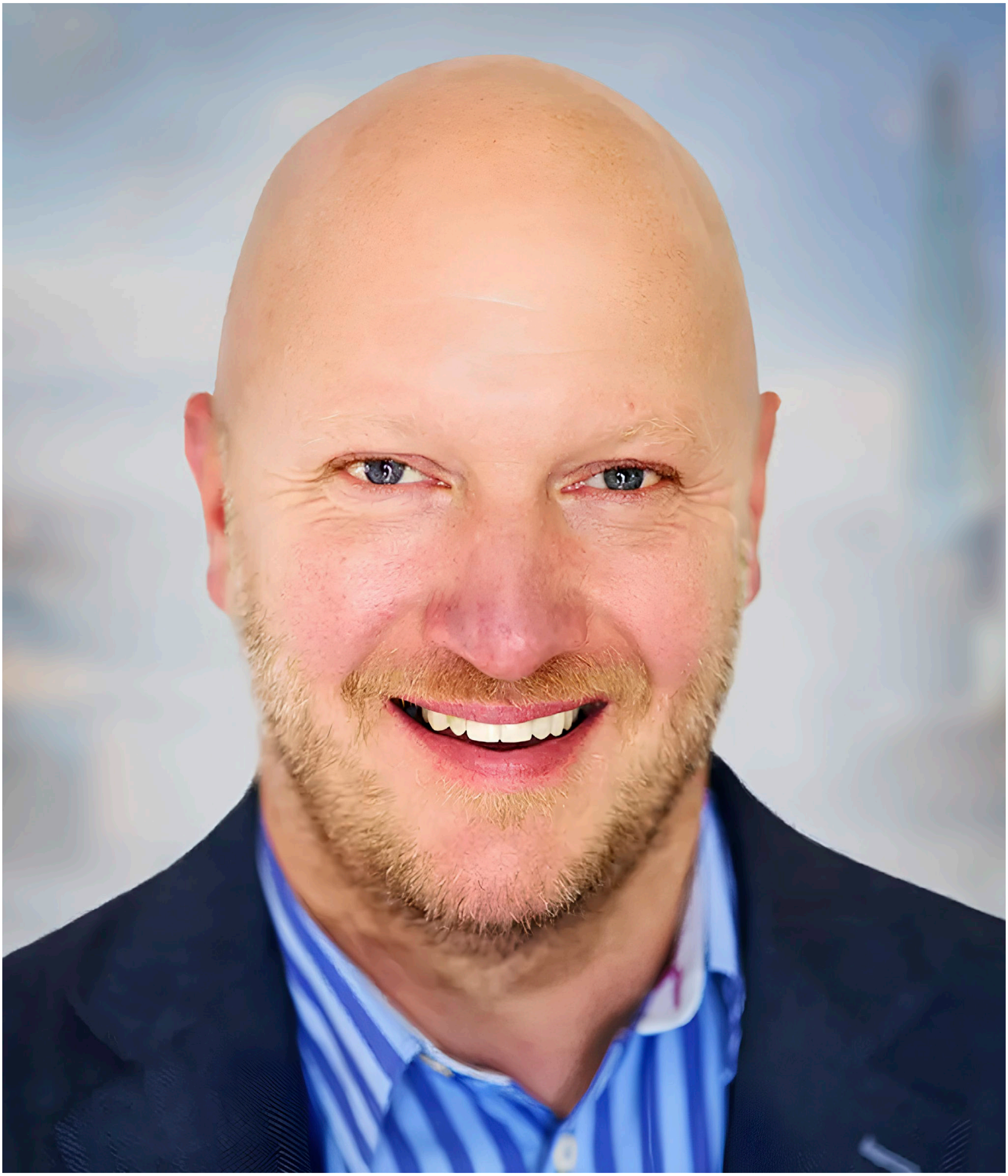


Perspective is everything

Jack McRae meets with Duco's chief product officer, James Maxfield, to discuss the company's refreshed Reconciliation Maturity Model and why he believes the firm is helping transform the industry

James Maxfield believes Duco is more than just a technology company. The firm's chief product officer knows how, "it is really important that we bring thought leadership to our customers, we're not just a partner that sells them automation."

Central to that service is being able to provide differing perspectives and innovative ideas that can help transform their customers' data operations. Maxfield believes that the firm's track record and the reputation it has earned in its decade of existence, only strengthens their ability to make positive change across the industry.

"Duco has been here for 10 years now and we've always been pioneers. We were the first into the cloud, the first to use AI within the reconciliation experience," he explains. "Clients talk to me often about how they see us as an innovation partner, capable of bringing them ideas that they can't do themselves. Being able to do that for our clients is very much a key part of what we do. We offer them a very different way of thinking about the process."

When Maxfield and I spoke last Autumn, we discussed the hurdles he has faced, learned from, and overcome in his career. Now, meeting in DUCO's London office, he is ready to take on the next challenge.

"There's a very powerful AI hype out there where everything needs to be seen to be AI-powered, and if it's not, then it can't necessarily solve the problem. That's not just a challenge for us here, but I see that across the industry," he says. "It is a balancing act with customers in explaining to them which tool is the right to use for the job. Let us worry about the choice of automation to solve the business problem, rather than worrying too much around what underpins it."

Helping clients take the next steps in their levels of automation is at the heart of Duco's work and building the best product for the industry, rather than the trendiest, is what Maxfield strives for.

New wheels

Maxfield's earnest demeanour has not changed since we last met, but his passion for his work has been elevated yet further by the release of Duco's refreshed Reconciliation Maturity Model.

The refreshed guide aims to allow clients to benchmark their reconciliation function and, as firms advance their reconciliation maturity, will show the impact upon audit costs and risk events.

The framework, complete with five stages of maturity – Manual Chaos, Hybrid Capabilities, Centralised Excellence, Fully Federated, and Continuous Improvement – allows firms to contemplate their current situation and enables them to consider the next moves away from manual processing.

"It's really about trying to bring customers ideas around how they can transform, how they can optimise, how they can improve their scalability and control. I think that's one of the reasons why we bring these types of things to the market, to be able to help customers move forward on the journey," Maxfield says.

What is the state of play when it comes to automation in the reconciliation process?

"Reconciliation sounds simple, but the reality is everybody does it very differently. There's lots of internal business complexities which means one organisation can look very, very different from another," he replies. "Over time as they build institutionalised controls, you can very quickly end up with a Frankenstein-like model, but one is quite complex and quite hard to change."

Maxfield analogises that it is a lot like "trying to change the wheels on a car, when you're going on a motorway." He explains that these legacy systems have become deeply complex and lack the standardisation required for scalability and efficiency.

“The best thing about working at Duco is we have a great mix of different people here. Diversity of thought and experience is really exciting and energising”

For too long, institutions have thrown more people at the problems. Maxfield explains: “If you look at the world of reconciliation on its own, it’s still undergoing a fundamentally massive change for a lot of institutions. I talked to a small bank last week who has 1,000 end user controls. Some of our bigger customers have got between 2,000 and 5,000 of those.

“Typically what the industry has done over the last two decades, is they’ve applied people to the problems in introducing a new control to market. People don’t scale well. We want to be impactful around bringing automation there.”

Bringing in new automation has been of severe importance for a long time, but, Maxfield believes, no more so than right now. With market volatility in the US at a peak, stress points are created for banks, custodians, and asset managers and these need to be addressed.

“Where you have processes that are not very scalable because they’ve got lots of people in them, or you’re running controls on products or platforms that don’t do volume very well, you can bump into problems,” Maxfield adds. “For us, our value is being able to bring insights and practice to these people who have got very institutionalised ways of doing things.

“At Duco we pride ourselves on helping clients navigate complexity and we do that with deep industry expertise and a proprietary technique that drives success.”

Thinking differently

“That is a really good way to describe it,” Maxfield replies when asked if Duco considers themselves a ‘glue’ between technology and financial institutions.

“A lot of what we talk about at Duco is that we’re a platform that the users can configure and drive themselves. We give them autonomy and empowerment to solve real-world business challenges that they see every day.

“We can sit between systems and bring automation to the places that other systems can’t reach.”

Maxfield believes that a lot of Duco’s success comes from the fact that “we understand the market. Some of us have sat in roles that customers are in, so we’ve got good familiarity with their challenges.”

He also adds that “we can offer news ideas, we can also bring them best practice. We can also bring them standardisation in what quite often is a very kind of unstable, bespoke world.”

The source of Duco’s innovation comes, Maxfield believes, from the diversity of thought within the company. “The best thing about working at Duco is we have a great mix of different people here. Diversity of thought and experience is really exciting and energising,” he explains.

I noticed the answer echoed the sentiment of his CEO, Micharl Chin, whom I’d met with a fortnight previously — Maxfield was not surprised they shared a similar belief.

He says with fascination: “There are lots of people here who if given the same problem, will approach it in completely different ways. Depending on who you’re in the room with, you can have a different outcome.

“I would say it’s a very easy environment, even with someone my age, to learn a lot in. There’s always an interesting perspective that I hadn’t figured out yet.”

Maxfield takes great pride in not only his work, but the team he works alongside at Duco — a company he says has “cult following in the market and is quite unique.”

What is clear, above all, is that Duco sees itself and is far more than just a technology company. ■

Simpson's path

In the latest of our Emerging Talent series of Emerging Talents, Lucy Simpson at State Street, gives us an insight into her journey as a FX Forward Rates Trader

Can you give me an insight of your personal journey into the asset services industry, why did you decide this was the career for you?

My journey into the industry has been driven by my passion for markets and my competitive nature. My path has been unconventional. After gaining exposure to the financial sector through work experience in the City, I chose to forgo university.I began my career working in a portfolio management team at a FTSE 250 wealth management firm, where my enthusiasm for markets flourished.

In 2022, I secured a place on State Street's Professional Development Program. The programme provided an incredible platform to grow my network and skillset. I had the opportunity to work within various teams, where my background, ambition, and work ethic was recognised and supported. A standout moment during the programme was attending a residential FX course with the ACI Financial Markets Association. Winning the Best Dealer Award during the course solidified my aspiration to become an FX trader.

The challenge of managing risk while identifying profitable opportunities in volatile markets perfectly align with my competitive drive and interest in macroeconomics. The dynamic and ever-evolving nature of FX markets makes it an exciting space to learn and grow. Each day, I come to work with a sense of purpose, motivated by the opportunity to engage with global markets and make a tangible impact.

What aspects of your job do you enjoy the most?

My role is intellectually stimulating, and I thrive in the dynamic, unpredictable, and high-pressure environment on the trading floor. Every day brings a fresh set of challenges and the job requires us to become experts in a host of areas, depending on prevailing market drivers. I also enjoy the collaborative nature of our team, with the opportunity to work alongside experienced traders and grow as a trader. I particularly enjoy that every decision I make has a real impact. My success fully depends on my ability to generate profits based on my insights and skills, which is something I find incredibly fulfilling.

Being fairly new to the industry, how do you find your experience compares to those who are more established? Are there pros and cons to each?

Experience is invaluable in trading. Working alongside established traders has given me the opportunity to learn from their expertise and expand my knowledge across a variety of trading strategies and FX products. My colleagues possess a deep understanding of market cycles, macro analysis and risk management as well as the ability to be ruthless in their analysis, recognise subtle market signals and remain unhindered by emotion. As someone newer to the team, I am still developing this intuitive grasp of the markets. However, my drive to become a successful trader has motivated me to absorb insights from my colleagues and continuously improve my skill set which should position me to take on a more influential role over time.

Have you noticed any misconceptions about the asset servicing industry? Is there anything in the industry you would like to see evolve or change?

I have been particularly impressed with State Street's commitment to nurturing young talent, and the opportunities I've been given to kickstart my career. State Street has supported my professional development in several ways, from sending me to Boston to give client presentations to funding my CFA exams.

I am also pleased to see a strong presence of women through all ranks across the Global Markets division. I believe State Street's focus on diversity and development sets a powerful example for the industry.

What is the training process of a new employee? Do you think it was beneficial to your role and others who may now be in the same position you were?

My training process involved four rotations within our Global Markets division, lasting six months each. This included structured learning, hands-on experience, performance reviews and mentorship. I spent time in the Securities Finance, FX Sales, FX Trading and Global Macro Strategy teams before transitioning back to FX Trading full time.

Throughout the programme, I was able to identify my strengths and areas of interest while gaining a comprehensive understanding of how various divisions within Global Markets interact and contribute to the business as a whole.

In terms of your career, where do you see yourself in a decade?

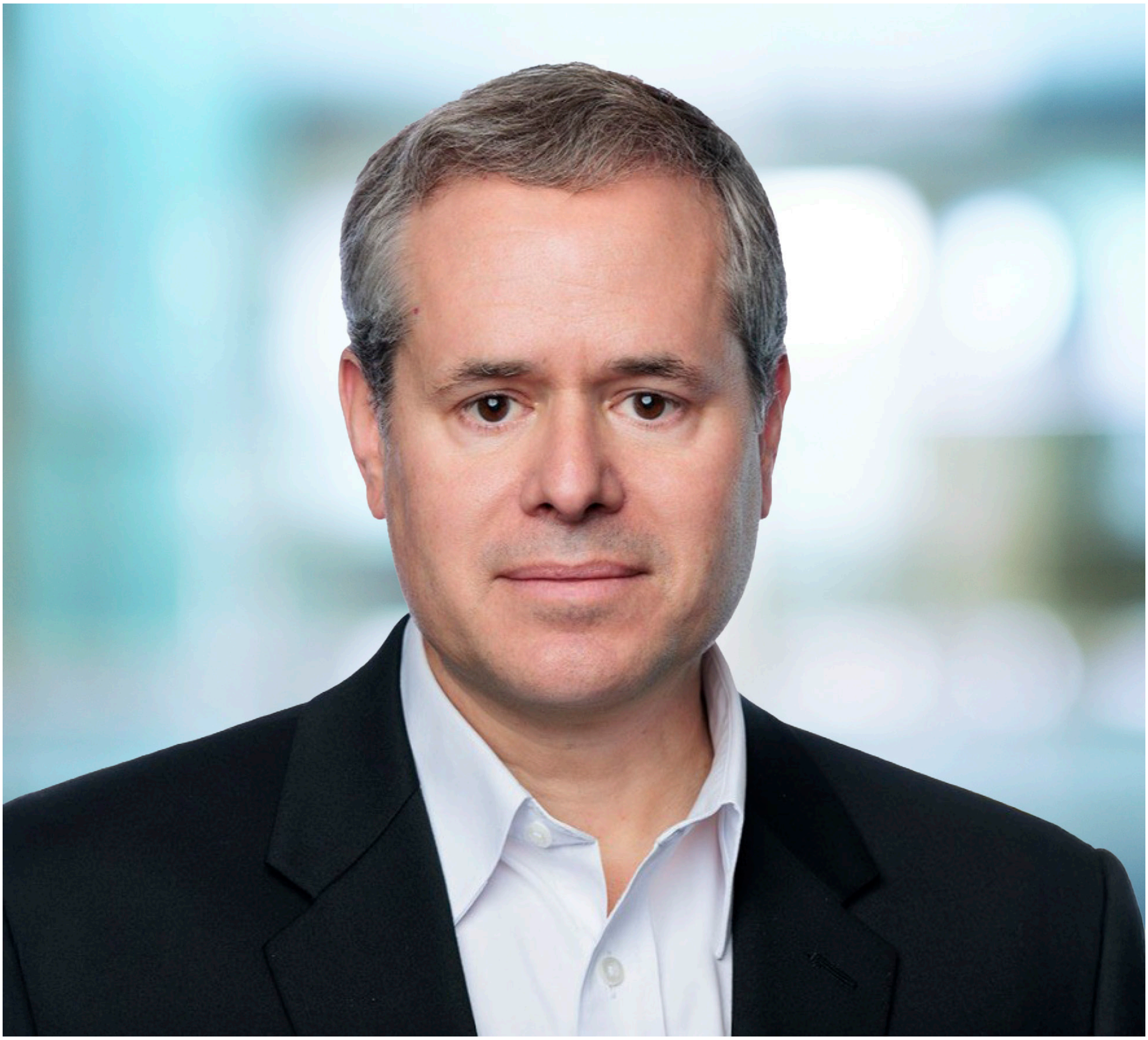
I aspire to manage a FX trading desk, collaborating with senior leadership to drive innovation, optimise performance and mentor the next generation of traders. In the meantime, I aim to deepen my expertise across all FX trading products and develop my leadership skills. By drawing on the experience I've gained through my PDP rotations and career as a FX trader, I would like to foster a collaborative, results driven environment that consistently delivers value to our clients. Ultimately, this role will enable me to combine my passion for markets with my commitment to have a meaningful impact as a female leader in the industry.

What advice would you give to young graduates when entering the financial services field?

Firstly, university is not the only available path towards entering the financial services industry.

Focus on gaining practical experience, learning on the job. Secondly, choose a career that you genuinely enjoy. When you are passionate about what you do, it becomes easier to stay motivated, even on the tough days.

I also recommend building a strong network and nurturing relationships with colleagues and mentors. Personally, having a mentor at State Street has been invaluable. Their guidance has been instrumental in helping me progress and achieve my goal of securing a role on the FX trading desk. ■



No risk, no reward

Bruce Roberts speaks to Jack McRae about his career in financial services, ION Markets and Acuti's latest report and taking a global outlook

Bruce Roberts, Global Cleared Derivatives Management at ION Markets, is in full flow when he stops mid-sentence suddenly to flip our interview on its head.

"Wait, who do you support?" the Nashville-native Nottingham Forest fanatic asks. To my reply of Arsenal, he quips. "Well, we can't all be perfect."

Roberts offers wit and humour as he talks through his journey to becoming an executive at ION Markets and an expert in cleared derivatives. While he has lived in the UK for decades, he has not lost his accent nor his fascination with the US markets and financial services sector.

So, he explains that at the back end of last year, "I just felt that ultimately, with Trump coming back into the Presidency, it was going to have a big shake up. We thought, let's start to gather some research from firms and see what their perspective is around different questions that may have big impacts on the industry."

Lessons to be learnt

In collaboration with Acuti, ION Markets produced a report, 'The Outlook for FCMs Under the Second Trump Administration', which outlines the risks and challenges, as well as considers the impact on treasury and repo clearing, regulation, digital assets, ESG, and client demand for India and China access.

The report surveyed futures commission merchants (FCMs) providing derivatives clearing and execution services. It found that FCMs are positive about the impact a new Trump administration will have on their business but expect increased competition in the next four years. Firms also believe that a merger of the Commodity Futures Trading Commission (CFTC) and the US Securities and Exchange Commission (SEC) would benefit the industry, but don't foresee it happening.

Overall, Donald Trump's second term as President will no doubt bring persistent volatility, regulatory changes and a focus on technological evolution. On the motivation for the report, Roberts explains that they believe they could offer firms extra intelligence to their short-term decision making amid an incredibly important time for the markets. But, what would he want firms to take from the report?

"There are several lessons I would like people to take," Roberts begins. "Technology continues to be a key enabler, and having advanced trading technology, post-trade systems, and risk management and analytics is a key differentiator in terms of being able to optimise your cost space and your risk management. It is also a competitive advantage.

"Firms should also consider regulatory changes and their impact on markets, in terms of these big trade flows and hedging. I think they should look at risk management and changes in the amount of capital that's going to be required, as well as the reduction in regulation."

Above all, Roberts hopes "this has been a thought provoking piece for them to consider."

An American walks into a pub...

Although Roberts has spent the last 25 years working in the financial services industry, he originally worked for three years in higher education for an American study-abroad programme – focusing on residence, life, health and welfare, and counseling for students.

"I studied business in university, and had no intention of going into the education sector," he laughs.

"But I thought it was a great opportunity. It is also why I'm a Nottingham Forest supporter because I lived up in the Midlands. I used to go across from Lincolnshire to Nottingham in the early '90s and watch them play."

Through that job, Roberts was able to travel throughout the UK and felt his perspective shift. "The opportunity to live and study or work abroad really starts to change your view if you've only ever seen things from one perspective. It allows you to step outside and really kind of take a different view," he explains.

Roberts credits his time spent travelling across Europe as fundamental to how he now approaches his work. He adds that he is "still involved in the college as a trustee and trying to shape a global view and world citizenship of young people."

But without one trip to the pub, his perspective might not have been transformed so quickly.

Taking us on a tangent, Roberts tells: "I'll never forget, I had not been in the UK very long and I went into this pub in Lincolnshire. You can tell by my accent that anytime I speak, I stand out.

"I asked for a drink, and there was an older gentleman who asked where I was from. I said: 'Well, I'm from Nashville, Tennessee.'

"He goes: 'Really? It's not hard to tell.'

"Then he said: 'You know what the difference between you Yanks and us Brits is?' I said: 'No, sir, I don't know.' He goes: 'You Yanks think 200 years is old, us Brits think 200 miles is far.'

"He probably got that right in a nutshell. People have different perspectives and you only start to realise that there is a whole different way of looking at the world if you open your eyes."

Taking a global outlook on his work has been key and, Roberts says, "has had a huge impact on my career". After his time in higher education, Roberts worked at UBS for two decades before moving to ION in 2021.

"I have done a number of different roles across operations and technology, but I have mainly been part of the global management team within cleared derivatives, across front-to-back," he explains.

Investing in the future

As the financial services industry readies to react to any latest regulatory shift under a Trump presidency, there remain a number of areas in which the financial services should expect major developments.

First, the digital assets space is "definitely going to grow," Roberts says. "One of the interesting areas is going to be stablecoins and, if the US issues their own, that will have a big impact.

"I think what we'll see over time, potentially, is new custodians coming out that says, no matter where you execute across multiple venues, we're able to offer custody services in a separate place. That then reduces the risk for those big asset managers who are trading in those digital currencies."

However, Roberts stresses that the space is "still very embryonic" and could change drastically as it evolves.

Secondly, technology is once again going to underpin all major enhancements in the financial services sector. Roberts explains that, "I'd like to see clients really invest in their technology. If they're going to be competitive and they're going to be able to compete in the future they need to be investing.

"When you look at some of the older monolithic-type systems, and the way they were architected, it makes it hard for people to pull them out and then plug something in.

"But if you look at some of the advanced technology, like what we provide, then it becomes a lot easier to do that once you make that initial step to move down that path."

Across the industry's entire ecosystem, Roberts expects there to be strengthening, but insists that "this has got to come not only from the regulators and the industry bodies, but also the FCMs, the clients and the providers."

As for the regulators, Roberts would like to see a balancing of risk oversight. "We don't want firms who have taken on too much risk exposing other market participants and creating a wider chain effect," he says. "I wouldn't want to see the pendulum swing from over regulatory oversight to going back to the completely opposite direction, where it's very light. We need to try to find a balance in the middle."

Roberts wants financial services to make a positive impact on the world. "We want to make it more efficient for clients who invest into future global challenges – whether that be energy transition from carbon to non-carbon, or funding certain areas that need funding.

"That's where financial services are at the heart of creating change for the world. If we can be part of that and help it become more efficient and effective to fund and support areas that we need to solve in terms of big problems with capital investment. That's what we want to be a part of."

Putting a positive stamp on the world and the industry is something Roberts is always trying to achieve through his work in financial services or with university students. What would he tell those young people looking to break into the industry, just as he once was?

"My advice would be, with no risk, there's no reward. Life is a journey, take risks and believe in yourself. With that you'll be successful."

Roberts' expertise of the financial services industry has been shaped and built in a career spanning decades. But he is still on a continuous pursuit to expand his understanding of different perspectives — unless, of course, it comes to his beloved Forest. ■

Predicting the unpredictable

How stress tests have the power to influence investment decisions and offer an insight into market movements

Clelia Frondaroli reports

After 25 years of analysing financial markets, there is little that Christoph Schon, lead principal at Investment Decision Research, SimCorp, hasn't seen before. Having weathered tariffs, trade wars, and market shocks over the years, Schon and his team have offered investors and institutions alike a glimpse into the potential risks and consequences of these so-called extreme market events.

Yet, as Donald Trump continues to inflict his ever-changing tariff policies on the global economy, Schon now faces a new challenge: monitoring and predicting market events on an almost daily basis, a feat made more difficult when the president himself appears unaware of his next move.

Making sense with method

Schon's area of research primarily focuses on using Axioma's (as part of SimCorp) risk management tools to help institutions make better investment decisions, a large part of which relies on conducting stress tests. Yet, conducting stress tests in itself is a science, where the objective, Schon says, is simple: "We try to make sense of what is happening in financial markets."

In broad terms, Schon explains how this works: "[With stress testing] we can shock any market variable and regress the pricing factors that drive the risk and returns of the portfolio against those shocks. This allows us to estimate what that means for a portfolio and how a portfolio is likely to behave in certain types of scenarios."

These scenarios can take all shapes and sizes. Civil wars, presidential elections, acts of terrorism, and even environmental disasters all have a wider impact on financial markets and have featured in countless test scenarios. However, stress testing doesn't just begin from the moment an extreme market event occurs; it is also about exposing potential areas of concern and how they may play out in the global economy.

"In autumn last year, when the presidential race was still on, we were already looking at possible scenarios," Schon points out. "What would a Trump win mean? What would a Harris win mean? And also, if we had another trade war, what would happen to financial markets?"

Having run the models and input the variables, what he found was that, "it turned out to be quite accurate, actually, in terms of how it unfolded."

image by whitestorm/stock.adobe.com

> **"When we compared the actual impact of the tariffs to what the model predicted, we could see that some things were spot on, such as cyclical sectors underperforming"**
>
> **Christoph Schon, SimCorp**

However, Schon is only too aware that stress testing is not a perfect reflection of the future. Like all sciences, there is a degree of limitation on how much the model can reveal. Largely placing this on the fact that stress tests are "calibrated on historical data," he considers for a moment the implications of this method, "in a sense, we're assuming that history will repeat itself."

Yet, history has had a tendency to repeat itself and by revisiting old test models, Schon and his team are able to compare past predictions with current market scenarios as they are playing out in real time. "Then we can see, how good were the predictions? What is different this time?"

When questioned on the effectiveness of the tests at minimising the impact of market shocks, Schon reflects on the accuracy of his models. "When we compared the actual impact of the tariffs to what the model predicted, we could see that some things were spot on, such as cyclical sectors underperforming. But what the model didn't foresee was the announcement in Germany that they would suspend the debt brake, which increased bond yields when the model had predicted that yields would come down."

Despite their limitations, Schon believes the models still prove valuable in identifying, navigating, and mitigating sources of risk that would have otherwise gone undetected. After all, by running the tests, he says he is able to "see which parts of the markets are going to be most severely affected and at least prepare."

Changing times

Another "sign of the times", Schon says, is the relationship between the stock and bond market, where he notes that the negative stock-bond correlation that had been so prominent during the early 2000s to mid-2010s has now changed.

"There was always this balance between the stock and the bond market, and investors had been reliant on that.

"When money would move out of the stock market, it would go into the treasury market instead. This means yields would come down, and when things recovered, that money would go back into the stock market, central banks would hike rates, and yields would go up again."

However, since the onset of the pandemic, he believes that high inflation (the culprit of which lies, in part, with Russia's invasion of Ukraine and the resulting energy price hike) has created an environment "where suddenly stocks and bonds move together.

"That was a big challenge for many in the financial markets. I mean, I struggle to remember a time when stocks and bonds did not move in opposite directions," he says, looking incredulous for a moment.

He considers how this reflects within the current market climate, where changing tariff policies have only exacerbated the impending sense of uncertainty and economic loss. His stress tests have revealed that mounting pressure on the Federal Reserve (the Fed) to cut rates "is a terrible idea, especially while the correlation between interest rates and stock prices is very negative."

Understanding that cutting rates only signals to investors that the Fed may be caving into political pressure, Schon is clear about the bank's next steps: "Do not cut rates right now if you can avoid it."

However, in the past week since speaking to Schon, Trump's trade war tells yet another story.

With latest shipping figures showing an almost 30 per cent decline in US imports compared to that of last year and a potential recession on the horizon, it is up to Schon to provide investors with a perhaps more optimistic glimpse into the future than what the president may have in mind. ■

AI, ML, and automation in asset management

Jon Scappaticci, sales and relationship manager at AutoRek, looks at the roadblocks facing the asset management industry when it comes to implementing modern technological solutions

Asset management and capital markets firms are operating in an environment marked by increasing complexity and change. With rising transaction volumes, operational inefficiencies and shifting client expectations, the industry is under increasing pressure to modernise operations. Despite growing challenges, many firms still rely on outdated operational models — manual reconciliation, fragmented systems, and legacy technology that can not keep up with the pace of change.

AI, machine learning (ML), and automation, are transforming how firms operate, offering the ability to process data faster, reduce errors and free up valuable resources. But despite the clear benefits, adoption remains slow. The question is not whether AI and automation can improve operations — it is why so many firms are still holding back?

Asset management in 2025: Complexity demands change

The rise of digital assets, move toward real-time trading and evolving regulatory frameworks are pushing transaction volumes to unprecedented levels. Managing this growing data burden with fragmented, outdated systems is becoming increasingly unsustainable. AutoRek's latest industry report reveals that 79 per cent of asset management and capital markets firms say their reconciliation processes are already struggling to keep up with current data volumes — or will soon be overwhelmed if volumes continue to rise. And data volumes are rising — just see Nasdaq's recent announcement to launch 24-hour trading on its exchange.

The message is clear — to keep pace with industry changes, firms need scalable, integrated, and automated solutions. But for many, the road to these solutions is blocked by a series of misconceptions and structural barriers.

The biggest roadblocks

Why, in an industry that thrives on efficiency and precision, are so many firms hesitant to embrace AI, ML and automation? It comes down to a mix of technical and cultural barriers that have created resistance to change:

The perceived skills gap

Many firms believe that adopting AI and automation requires a highly technical workforce. Traditional reconciliation and operational processes have long relied on staff with deep institutional knowledge, making automation seem like a threat to expertise rather than a tool to enhance it. But modern AI and automation platforms are designed to simplify, not complicate.

They offer intuitive interfaces, low/no-code functionality that allows non-technical staff to manage complex workflows, without needing advanced programming skills. AI and automation does not replace human expertise, it complements it, freeing teams to focus on high-value tasks.

Data integration and compatibility issues

Asset managers handle massive volumes of data from multiple sources, such as custodians, brokers, fund administrators, and regulators, often in inconsistent formats. Integrating this data manually is slow and error prone.

This complexity has created the misconception that automation only works if all data sources are standardised and compatible. Firms assume they need to overhaul their entire data infrastructure before adopting automation, an expensive and daunting prospect. In fact, 40 per cent of firms cite data challenges as one of the top three barriers to implementing automation.

But modern AI and automation platforms are built to handle messy, inconsistent data. Machine learning algorithms can identify patterns, fill gaps, and reconcile discrepancies without the need for perfect data alignment.

Solutions like AutoRek can ingest and process data from any source, in any format, reducing friction and improving accuracy.

Legacy technology and data silos

Legacy infrastructure remains one of the biggest obstacles to modernisation.

Over half of firms still rely on spreadsheets or a mix of in-house systems and legacy software for data reconciliation.

High replacement costs, operational disruption, and vendor lock-in lead many firms to patch existing systems rather than upgrade them. This results in operational bottlenecks and increased error rates.

But modern automation solutions do not require a full system overhaul. AI and automation platforms can integrate with legacy systems through APIs, allowing firms to automate key processes like reconciliation and reporting, without disrupting core operations.

This allows firms to modernise incrementally, reducing risk and improving efficiency step by step.

Cost vs return on investment

Risk aversion is often the most immediate blocker to automation. But this mindset overlooks the already present costs of manual processes and legacy technology. Labour-intensive reconciliation, human error, and compliance risks create direct and indirect costs that add up quickly, drain resources and limit growth.

Soon, AI will empower firms to automate large platform migrations faster than ever before, greatly reducing the perceived risks seen by stakeholders. We have already entered an era where the biggest risk will be standing still.

AI-powered reconciliation increases accuracy, reduces processing time, and scales operations efficiently.

The long-term value far outweighs the initial investment, allowing firms to allocate resources more effectively and drive strategic growth.

Breaking through the barriers: How firms can overcome implementation challenges

Adopting AI, ML, and automation requires a strategic, phased approach:

1. **Assess current processes:** Identify inefficiencies and areas where manual intervention slows operations.
2. **Select a scalable automation solution:** Ensure the platform can handle diverse data sources, integrate seamlessly, and support long-term growth.
3. **Prioritise user-friendly technology:** Choose solutions with intuitive dashboards to reduce the need for specialised technical skills.
4. **Emphasise compliance and risk reduction:** Position automation as a tool for strengthening regulatory oversight and minimising compliance risks.
5. **Focus on ROI and strategic growth:** Shift the narrative from cost to value automation is not just about efficiency, it is about positioning your firm for future success.

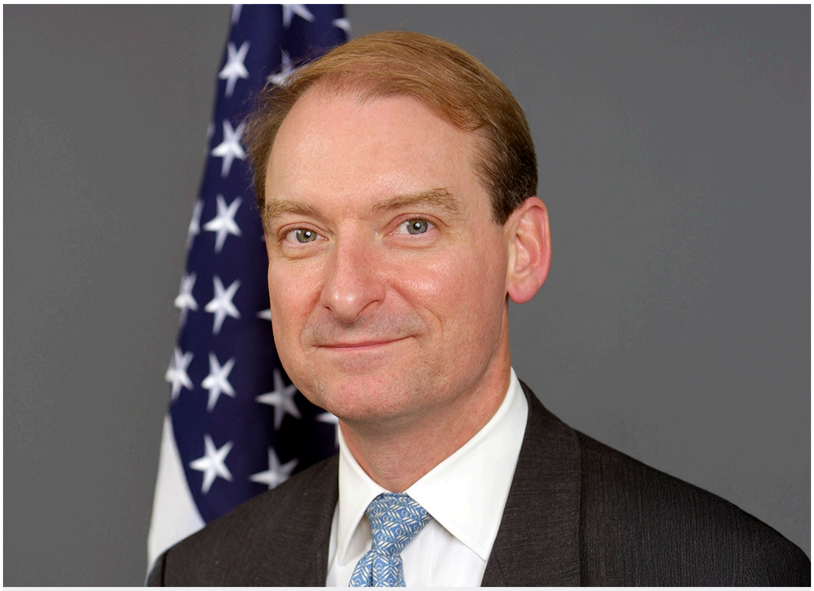
Moving past the roadblocks

AI, ML, and automation have shifted from emerging trends to essential tools for staying competitive. While the barriers to adoption are real, they are not insurmountable. By challenging outdated assumptions, finding ways to integrate modern solutions with existing systems, and focusing on long-term strategic value over short-term costs, firms can position themselves for greater efficiency, resilience, and growth. ■

Ready to move past the roadblocks? Discover how AutoRek helps asset managers modernise operations with AI and automation — without overhauling legacy systems. Learn more at autorek.com

Jon Scappaticci
Sales and relationship manager
AutoRek

Industry Appointments



Atkins becomes Chairman of the SEC

The US Securities and Exchange commission (SEC) has named Paul Atkins as chairman. Following the nomination by President Trump on 20 January, Atkins was officially confirmed by the US Senate on 9 April and sworn into office on 21 April.

This marks his third time returning to the SEC, having served as commissioner from 2002 to 2008, and represented the SEC in the US-EU Transatlantic Economic Council meetings. He also acted as chief of staff and counselor from 1990 to 1994.

Atkins' most recent tenure was at Patomak Global Partners, a company which he founded in 2009 and where he worked as chief executive.

Atkins says: "As I return to the SEC, I am pleased to join with my fellow Commissioners and the agency's dedicated professionals to advance its mission to facilitate capital formation; maintain fair, orderly, and efficient markets. Together we will work to ensure that the US is the best and most secure place in the world to invest and do business."

Northern Trust appoints Thompson as COO for Asset Servicing

Northern Trust has appointed Richard Thompson as chief operating officer for Asset Servicing.

In this role, he will be responsible for first-line of defence risk management business management, operational oversight, and strategic governance.

In his second spell with the company, Thompson re-joined the firm in 2007 and has been part of Risk Function, Banking and Markets, and product management teams.

He most recently worked as head of financial oversight for Bank and Markets.

Broadridge strengthens Trading and Connectivity Solutions division

Broadridge Financial Solutions has strengthened its Trading and Connectivity Solutions division with the additions of Ian Williams and Anand Chintala driving product management.

These appointments underscore the firm's commitment to enhancing its global leadership and mission to simplify and optimise trading.

Both Williams and Chintala will report to Brian Pomraning, chief product officer of Broadridge Trading and Connectivity Solutions.

Based in Toronto, Williams — with over three decades of trading and product leadership positions in both Canada and the US — will spearhead the ongoing expansion of the firm's Canadian business and global trading solutions.

Prior to joining Broadridge, he held trading and senior product leadership roles with Virtu

Financial, Investment Technology Group, Perimeter Markets, and TD Bank.

Based in New York, Chintala will focus on optimising front office trading product solutions to enhance Broadridge's influence and competitiveness in the Americas market.

Drawing upon 20 years of experience in capital markets trading, financial technology, and trading operations leadership, Chintala's strategic insights will be pivotal in driving innovation and promoting growth within Broadridge's trading solutions, the firm says.

Previously, Chintala held roles at Barclays, ITG, Lehman Brothers, and Deutsche Bank Securities.

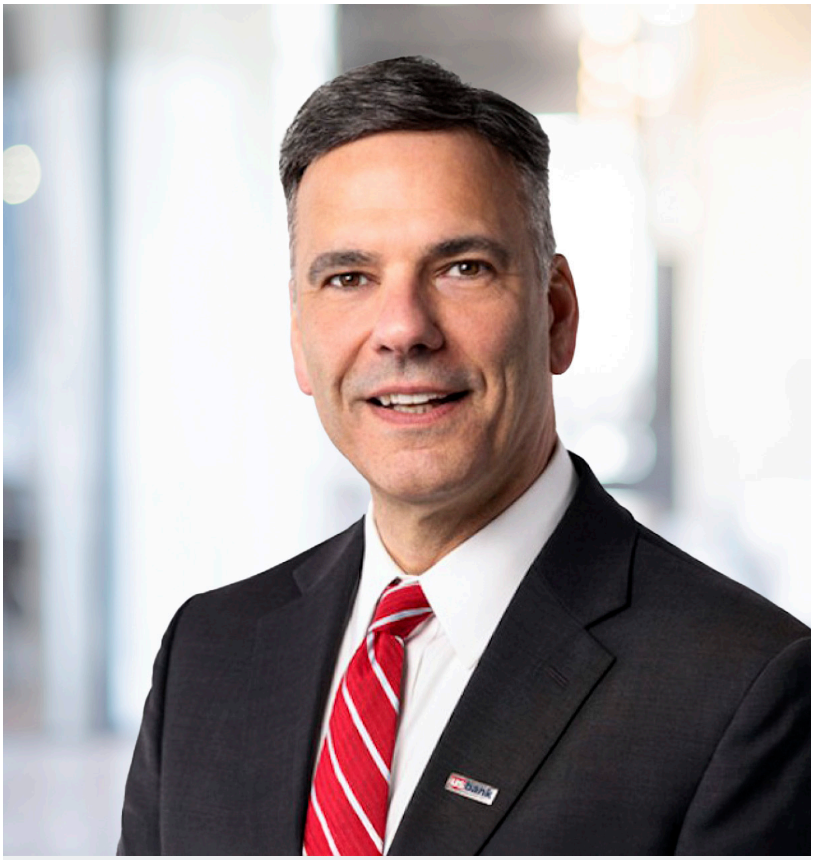
Alter Domus adds two senior hires

Alter Domus has added to its key client partnerships (KCP) team, appointing Kenny King and Jane Karczewski in two senior roles.

King joins as head of KCP for North America from BNY Asset Servicing, where he was global head of alternatives relationship management. Before BNY, he held leadership roles at J.P. Morgan, Merrill Lynch, and Bear Stearns.

On his appointment, King says: "The evolution of private markets requires a new approach to fund servicing — one that aligns with firms' growth strategies and investor expectations. Alter Domus' commitment to co-developing tailored solutions with clients sets it apart, and I look forward to contributing to that vision."

Karczewski has been named as head of KCP for EMEA, having most recently led investors business development and ESG solutions at Societe Generale. She has over three decades of experience, including leadership roles at Morgan Stanley, Deutsche Bank, Citi, and HSBC.



Martin heads new role at U.S. Bank

Jay Martin has been named as president of Investment Services by U.S. Bank.

The appointment comes after the bank combined its global fund services and global corporate trust team into a single Investment Services division, where Martin will be expected to oversee the offering of customised services to middle market and institutional clients.

Since joining the bank in 2023, Martin has led the global fund services division as president.

Prior to this role, he was the head of operations for fund services at Citco, and has held a number of senior leadership positions within Citi.

On the creation of the new division, Stephen Philipson, vice chair of wealth, corporate, commercial and institutional banking, comments: "Bringing these two businesses together under a single leader will allow our clients to benefit from our combined scale, investments and more interconnected approach to serving them."

LSEG announce co-heads of global data and analytics division

London Stock Exchange Group (LSEG) has appointed Gianluca Biagini and Ron Lefferts as co-heads of its data and analytics division.

In this role, they will report to CEO David Schwimmer and lead the continued growth of LSEG's flagship Workspace product.

Lefferts, currently group head of sales and account management, has been at LSEG since 2021 and has been a member of the Executive Committee since 2023.

Cboe hires Liao

Cboe has hired Wei Liao as director of its derivatives market intelligence team. Based in Hong Kong, Liao will deliver insight for clients as well as oversee content franchises across APAC — the appointment also forms part of the company's desire to expand its global derivatives business within the region.

Liao joins from CQS Asset Management, where she worked for three years as a portfolio manager. She brings over 15 years of experience in macroeconomic trading to her new role.

Citi recruits Goldman Sachs' Chan

Christopher Chan has been named as Citi Markets' head of markets solutions for financial institutions for Asia South and Asia North. In this role, Chan will drive the overall strategy to provide bespoke hedging, financing, investment solutions for financial institutions across markets.

He joins from Goldman Sachs where he spent over a decade as head of FICC and Equity Distribution for Southeast Asia and board member of Goldman Sachs Singapore. ■