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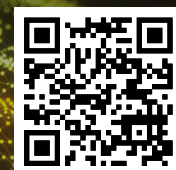
Industry leaders assess the operational realities

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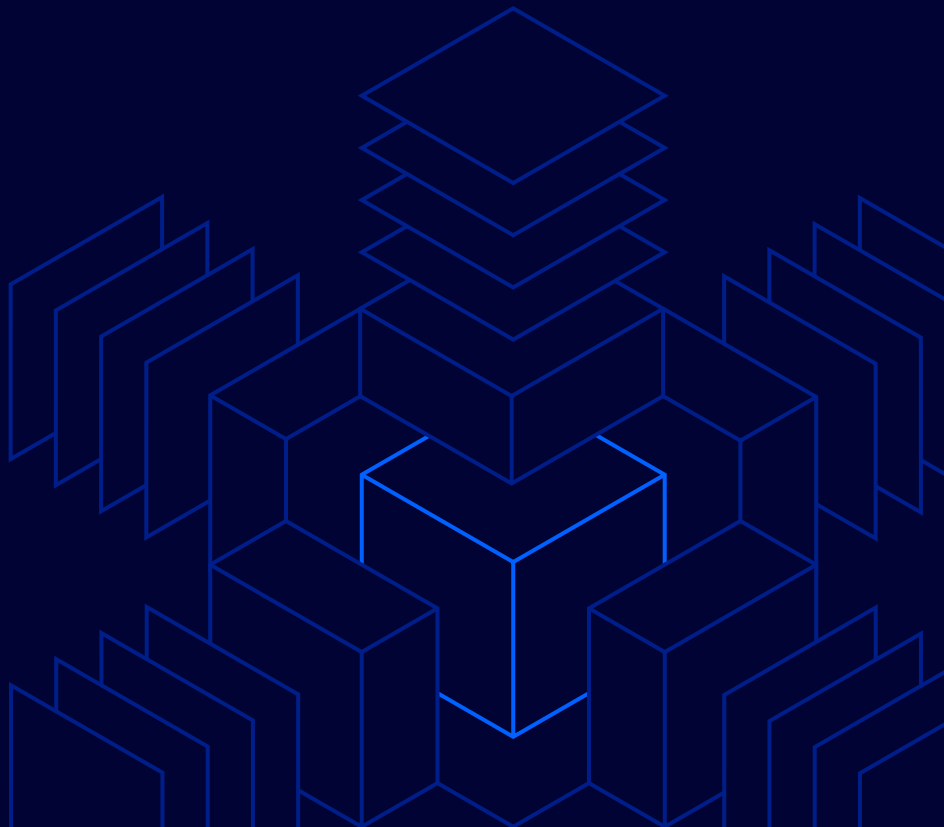
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DTCC's NSCC extends clearing hours to 24/5 model

The National Securities Clearing Corporation (NSCC), a subsidiary of the Depository Trust & Clearing Corporation (DTCC), has extended its clearing hours to 24/5 availability, supporting overnight trading activity from Alternative Trading Systems (ATS) and exchanges. The move expands the firm's clearing hours from Sundays at 20:00 Eastern Time (ET) to Fridays at 20:00 ET.

According to the firm, it reflects growing global demand for increased access to US markets as investors seek greater flexibility to trade outside traditional hours.

It enables NSCC to apply its central counterparty guarantee immediately to transactions executed across extended trading hours and multiple time zones.

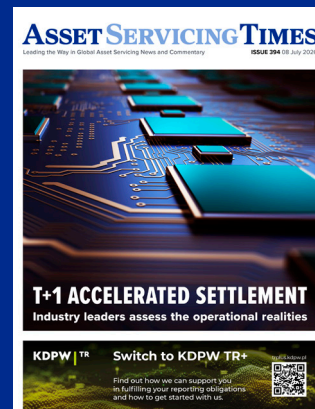
DTCC opened its testing environment in January 2026, requiring all consumers of the Universal Trade Capture real-time messages to test the required changes.

All firms completed testing successfully prior to the recent go-live.

ATS have already been using NSCC's previously extended operating window, introduced in September 2024 with clearing beginning approximately 2.5 hours earlier than before, while exchanges are expected to follow with longer trading hours in late 2026, alongside planned extensions from securities information processors.

Brian Steele, managing director and president of Clearing and Securities Services, DTCC, notes: "Today marks a significant milestone in the evolution of the US equities market. By increasing clearing hours to operate on a near-continuous basis, we are enhancing access to US markets for investors around the world, while maintaining the robust risk management and resiliency capabilities that are critical to market stability."

"DTCC has collaborated closely with our clients and industry stakeholders to prepare for this moment. With 24/5 trading now in place, we are enabling market participants to operate confidently in a more accessible, globally connected trading environment."



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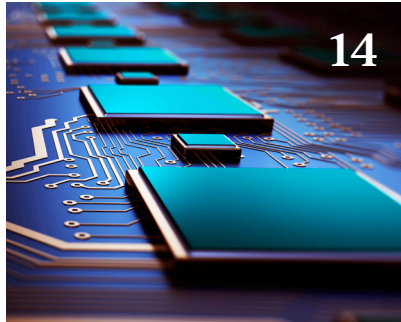
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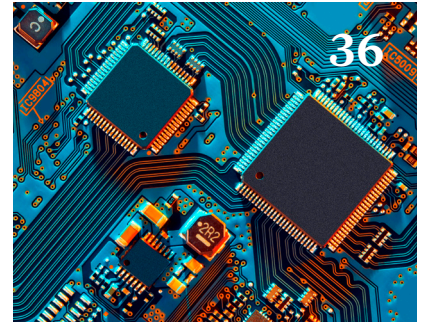
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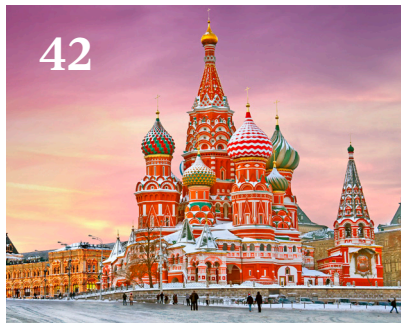
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Apex Group onboards Mercer's fund administration operations

Apex Group, a global financial services provider, has entered into an agreement to onboard Mercer New Zealand's fund administration operations. According to the firm, the lift out will see Mercer's experienced New Zealand administration team and operational capabilities integrated into Apex Group, ensuring continuity of service for clients while further complementing Apex Group's fund administration and registry capability in the New Zealand market.

The agreement is expected to be completed in the fourth quarter

of 2026. Additionally, as part of its continued investment in the region, Apex Group's technology partner, Novigi, is expanding into New Zealand, building on its long-standing partnership with Apex Group in Australia.

This expansion supports Apex Group's evolving operating model as it integrates Mercer's business, the firm notes.

Novigi brings specialist expertise in data, technology, and digital delivery to support scalable, future-ready solutions across Australasia.

Euroclear and Franklin Templeton extend collaboration

Euroclear and Franklin Templeton have expanded their cooperation to private markets, adding Franklin Templeton's alternative strategies to the FundsPlace platform. The move builds on an existing relationship and will see Franklin Templeton's private equity, private credit, and real estate strategies distributed via Euroclear FundsPlace.

It supports the firm's efforts to scale its private markets offering in Europe, Middle East, Africa and Asia.

By integrating private market strategies into FundsPlace, the partnership aims to standardise distribution and reduce operational friction and manual overhead, enabling more efficient access and broader reach to wealth managers and institutional distributors.

Vincent Clause, managing director and global head of Euroclear FundsPlace, notes: "Our partnership with Franklin Templeton is a concrete step in our strategy to bridge the gap between alternative asset managers and global distributors. Private markets have long been harder to distribute at scale.

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State Street secures fund administration license in Saudi Arabia

State Street Saudi Arabia Financial Solutions has upgraded its license to a Managing Investment and Operating Funds (MIOF) licence from the Capital Market Authority in Saudi Arabia, enabling the firm to offer local fund administration services in the Kingdom.

The expanded license enables institutional investors, asset managers, and asset owners to establish, operate, and service funds entirely within Saudi Arabia,

benefitting from streamlined operations, enhanced alignment with local regulatory requirements, and access to the firm's global operating model delivered on the ground.

The firm says the addition of fund administration to its licensed capabilities complements its existing custody and investment services offering and represents a milestone in the firm's commitment to Saudi Arabia as a strategic growth market.

TRAction collaborates with TraderEvolution

TRAction, a provider of trade reporting solutions, and TraderEvolution, a multi-asset enterprise trading technology, have collaborated as TRAction's trade reporting solution has now integrated with TraderEvolution's technology.

TRAction says that the newly launched integration with TraderEvolution streamlines European Market Infrastructure Regulation (EMIR) and Markets in Financial Instruments Regulation (MiFIR) transaction reporting, enabling firms to meet regulatory obligations more efficiently through automated and accurate reporting workflows.

Both the firms say that they recognise the value of seamless integration in delivering efficient reporting outcomes.

Quinn Perrott, co-CEO at TRAction, says: "We're pleased to introduce our latest integration with TraderEvolution, designed to help firms streamline their EMIR and MiFIR reporting processes for increased efficiency. This collaboration reinforces our ongoing commitment to simplifying trade reporting through seamless, compliant solutions."

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OSTTRA receives US CFTC no-action relief for PTRR

OSTTRA, a global post-trade solutions provider, along with two industry peers, have secured a no-action letter from the US Commodity Futures Trading Commission for solutions related to post-trade risk reduction (PTRR). The relief provided by the letter will allow US firms to more efficiently manage systemic risk and optimise capital.

The letter provides exemptions that concern trading, clearing, and reporting obligations. These rules previously added complexity, which limited post-trade risk reduction services (PTRRS) to larger US firms where, for example, counterparty risk rebalancing required the use of more complex swaptions instead of vanilla interest rate swaps. They also needed to report the non-price forming trades that are used to rebalance and reduce basis risk in portfolios.

The firm says greater regulatory clarity enables firms to more efficiently manage and administer non-price forming transactions for the purposes of post-trade risk reduction.

Additionally it will streamline operations for existing PTRRS users, improving the ease of conducting risk reduction on a more frequent basis.

The exemption enables smaller, regional banks to utilise PTRRS where previously it was operationally onerous. PTRRS providers also

received a trading venue exemption, allowing OSTTRA to digitally facilitate the bank-to-bank execution of rebalancing runs, improving the operational efficiency of each run cycle. OSTTRA has already executed its first rebalancing run using the new digital protocol involving US and non-US clients.

Also, US firms rebalancing credit index risk will see efficiencies and benefit from the widened scope of the service in credit default swaps by allowing the on-the-run and the first-off-the-run indices to be executed off trading venue.

OSTTRA expects, the changes to provide more certainty during rebalancing and basis risk optimisation runs, allowing for greater and more efficient risk reduction for market participants.

The CFTC letter brings the US into regulatory alignment with the EU and UK, which already has exemptions for PTRRS for most of these obligations.

Kirston Winters, chief risk officer, OSTTRA, notes: "The greater regulatory clarity in the US for post-trade risk reduction services enables US firms to better manage their portfolios. This will not only improve outcomes for existing users but also enable wider market access to firms who previously were dissuaded by unnecessarily high barriers that complicated adoption."



AutoRek ARIA introduces new capabilities

AutoRek ARIA, a regulatory-grade intelligence engine for reconciliation and financial controls, has unveiled new capabilities in its latest release. The firm says the added features reduce manual effort, accelerate configuration, and strengthen governance to enable financial institutions to automate reconciliation at scale without compromising oversight.

The latest release of AutoRek ARIA advances the platform with: automated rule generation for complex matching scenarios; sub-30 minute configuration for routine reconciliations; expanded pattern recognition to reduce manual investigation; enhanced oversight dashboards for real-time control visibility; and improved explainability to support audit and regulatory review.

Chris Livesey, CEO of AutoRek, notes: "Financial institutions are under pressure to operate faster, with greater accuracy and stronger oversight. AutoRek ARIA brings regulatory-grade intelligence to one of the most operationally intensive areas of finance. This release represents a step-change in how firms can automate reconciliation at scale while maintaining the transparency and governance regulators expect."



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Duco launches Agentic maturity model

Duco, a provider of agentic operations for financial services, has published an agentic maturity model for reconciliation, designed as a benchmarking and planning tool for chief operating officers and capital markets operations leaders to map a path toward AI-powered reconciliation. The model lists five distinct stages of maturity from manual spreadsheet reconciliation, AI experimentation, automation at scale, hybrid workforce, and agentic operations.

For each stage, the framework outlines the operating model, AI adoption profile, people model, control environment and performance characteristics alongside steps to advance to the following stage.

It puts forward a data-centric operating model built around proactive controls, where reconciliation catches bad data before downstream problems are created.

Northern Trust appointed by TirNua Capital Partners

Northern Trust has been selected by TirNua Capital Partners to provide fund administration, depositary, and banking services for the firm's inaugural infrastructure fund focused on supporting the transition to a low carbon economy. TirNua is a private markets investment manager focused on investing in critical infrastructure to support the low carbon transition, primarily in Ireland, formed through a joint venture between Keyridge Asset Management and an affiliate global private markets investment firm.

The fund aims to invest primarily in opportunities that support Ireland's transition to a lower carbon economy, as well as in other relevant OECD markets, targeting sectors such as renewable fuels, clean transportation, and energy efficiency. The fund has secured €340 million in commitments at first close.

Melíosa O'Caoimh, Ireland country head, Northern Trust, notes: "Our capabilities help administer a wide range of specialist asset classes and are complemented by deep expertise in supporting use of structures such as the Irish Investment Limited Partnership for alternative investments. We are delighted to bring this combination to support TirNua's inaugural fund." ■

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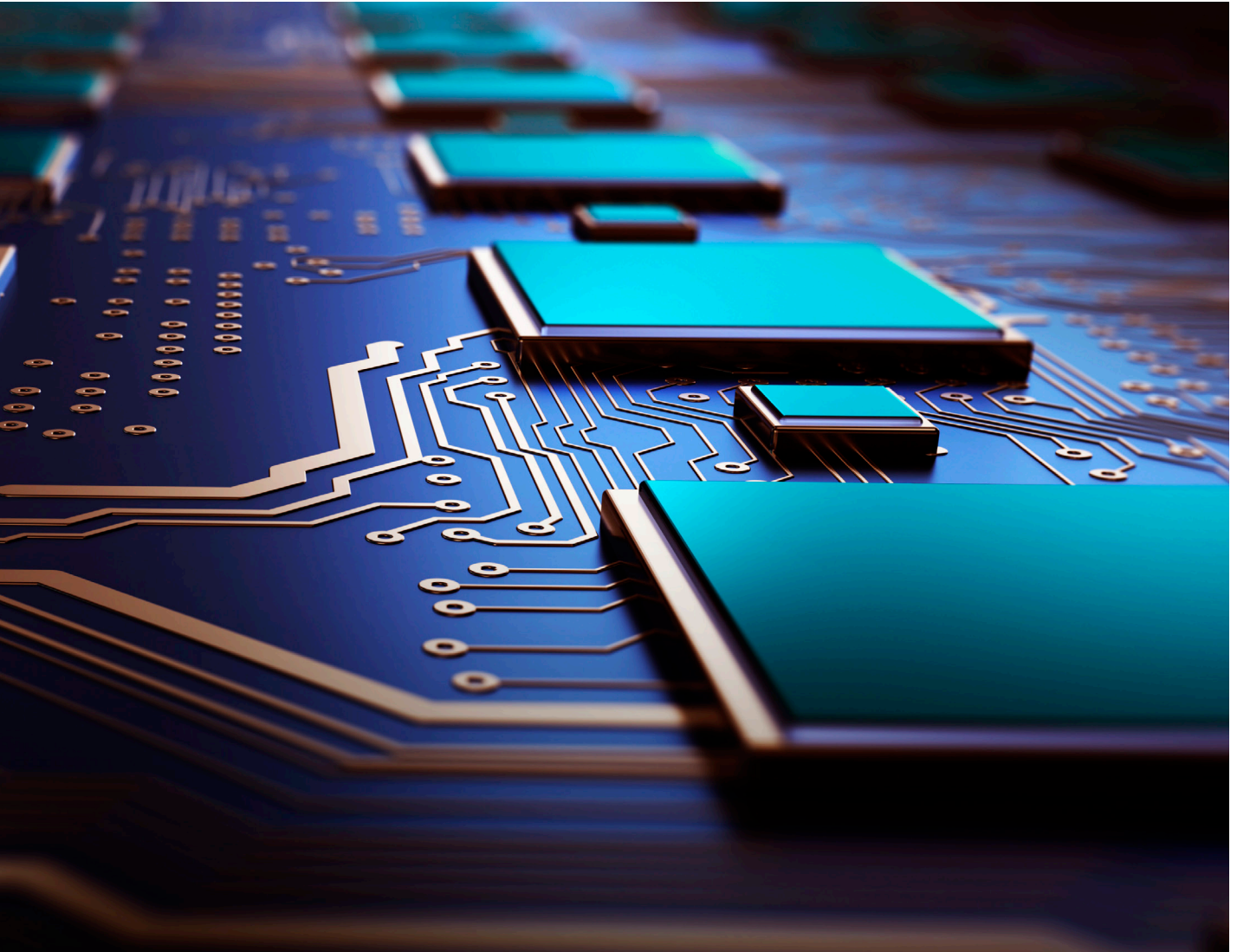
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T+1 accelerated settlement

With less than 18 months until Europe's coordinated T+1 transition, industry leaders assess the operational realities behind accelerated settlement, from client readiness and FX challenges, to automation and data quality

Craig Stirling

Securities Product Owner, AccessFintech

Marie-France Dessertenne

T+1 Programme Manager, BNP Paribas Securities Services

Michele Pitts

Global Product Head, Transaction Management, Citi Investor Services

Alex Chow

VP Industry and Regulatory Development, J.P. Morgan

Andy Grayland

Head of Solutions Architecture, Xceptor

With implementation now well advanced, which operational challenges have proved harder to solve than originally anticipated, and which concerns from 2025 have turned out to be less significant than feared? What has surprised you most about the reality of T+1 preparation versus the theory?

Michele Pitts: Primarily the unprecedented complexity of transitioning 32 markets, over 30 central securities depositories (CSDs), and 13 central counterparties (CCPs), coupled with the level of financial market infrastructure change happening across the European markets in conjunction with T+1 planning. Meanwhile concerns from 2025 that have not materialised, i.e. that some markets or market participants would ignore T+1. The industry is actively engaged across Europe. Both buy and sell side participants are preparing for the T+1 transition. If there is any complacency, it is the role of regulators to push for comprehensive readiness.

Another challenge is the reality of T+1 preparation versus the theory. The key recommendation to deliver allocations and confirmations by 23:00 CET by December 2026 is optimal, but certain market participants — particularly those based in other time zones — will likely not be able to meet this requirement.

Alex Chow: One of the initial concerns from industry had been in how some smaller buy side firms were not sufficiently engaged and as a result behind in their preparations. While we see a spectrum of readiness, we have generally found that most of our clients have been well-engaged on Europe T+1 for some time and

are defining their approach to some of the specific questions they are facing on their side, such as whether to amend mutual fund settlement cycles for fund managers or in time zone compression for our APAC base.

Although not a surprise — it has been great to see the collaboration in trying to set the conditions for the best possible transition across financial services firms, infrastructures, trade associations and regulatory bodies. We have an established data governance process that is being further enhanced, however aligning the same data methodology as CSDs and as settlement intermediaries can prove to be a challenge. While some industry forums such as the Testing Taskforce and UK Risk and Compliance workstream have made progress in setting parameters around how key T+1 metrics should be calculated, there is not one overall and de facto set of parameters that all stakeholders follow.

A further item to watch in the run up to 2027 will be in the Gating Event, intended to be released in June 2027. With the FAQs and best practice finalised in June 2026, the build specifications from CSDs, both in terms of instructing into the Gating Event or in reporting for when a trade has been gated into, will be crucial to consider, and the gating event in general has come relatively late in the day compared to the other T+1 recommendations. It will be important for firms to assess how the Gating Event could impact them.

Andy Grayland: For many firms, the compliance exercise brought by T+1 has actually been less cumbersome than feared. The real challenges are less about managing risk and more operational, with a need to tighten controls and processes to avoid increased inefficiencies and settlement fails once T+1 is enforced.

What we consistently hear is that fragmentation across internal systems is a huge challenge. For example, when confirms and settlements sit in separate workflows, and those workflows weren't designed to talk to each other at speed, you end up with pressure points that T+1 simply does not tolerate.

That pressure has caused some firms to cut corners, such as confirming off the back of an affirmation alone to avoid a fine rather than fixing the underlying process. While this might be effective for avoiding penalties, firms miss out on the benefits that T+1 was designed to bring.

Disparate data is another barrier. Our recent maturity benchmarking shows firms are, on average, just over halfway towards best-practice reconciliation. Inconsistent custody data,

a lack of data standardisation and automated reporting, process inefficiencies, growing reconciliation complexity, and intraday reconciliation were all cited as real barriers that limit operational scale — and those gaps become even more exposed under T+1.

But probably the most challenging area we are seeing is exception management. The irony is that roughly 80 per cent of reconciliations are relatively clean, straightforward one-to-one matches that automated processes handle well. It is the remaining 20 per cent that consumes disproportionate time and effort, particularly when visibility is limited. Knowing that a break has occurred is one thing, but identifying the source of the problem to resolve it quickly can be difficult.

As matching logic becomes more complex with more enrichment steps, more format translation, more sophisticated lookup rules, exceptions become harder to triage quickly. Firms are routing breaks across multiple teams, reviewing translation tables, and investigating where workflows have failed. Doing this in a much shorter window requires AI-powered automation that reduces the manual burden.

Craig Stirling: The technology challenges have largely proved tractable for those who invested early. What has proven harder is behavioral change — getting all participants across the settlement chain to operate on trade-date timelines rather than simply compressing existing T+2 workflows. Systems can be upgraded; operating rhythms are harder to shift. The concern that settlement failure rates would spike materially at go-live has been less severe than feared for well-prepared firms — but that masks significant dispersion. Firms with genuine STP automation and real-time exception visibility have absorbed the transition relatively smoothly. Those still relying on manual processes or end-of-day batch workflows are carrying a disproportionate operational burden, and some of that is not yet fully visible in aggregate fail statistics.

The biggest surprise has been how much of the pressure has landed on intermediaries compensating for gaps elsewhere in the chain. T+1 exposes every weak link — and the firms with the infrastructure to see those exceptions in real time have a material advantage in resolving them before they become failures. This is accentuated further as firms look to exchange data to resolve issues and realise their data management limitations when looking to stitch the correct data points together.

Marie-France Dessertenne: One of the most important success factors in all the discussions so far is the remarkable collaboration

across the entire European ecosystem (UK, EU and Switzerland) that has allowed us to put together a truly common testing plan.

While the bulk of the work is now in place, the industry is still ironing out a few critical points: the potential expansion of gating events beyond what the EU T+1 Industry Committee initially envisaged, the final ready checks for every participant in the settlement chain, or additional developments on T2S and within CSDs.

While the industry has made significant progress in preparing for T+1, shorter settlement cycles leave far less flexibility to resolve operational exceptions. So, another key success factor will be maintaining operational resilience across the end-to-end post trade chain value. A further focus is the timing of the capture and matching of transactions. Clients located in non-European time zones are seeking to ensure timely processing. As long as the spirit of collaboration continues, we are confident the market is on the right track to achieve a successful T+1 transition.

For EU funds, T+1 represents an indirect challenge. Even if EU traditional funds are out of scope of the T+1 change (excluding ETFs on the secondary market), both the recommendations of EU authorities to reduce the fund life cycle and the indirect pressure of the risks associated with the liquidity mismatch between funds liabilities and investments are pushing EU asset managers to review their processes. As impacts are indirect and not subject to a market deadline, these bring less pressure on asset managers, although the underlying processes of navigating the reality of any change of the fund lifecycle are widely more complex than the theory and quite different depending on the fund range features, and sometimes asset classes.

The coordinated UK, EU, and Swiss T+1 transition was designed to minimise cross-border fragmentation, yet FX settlement and time zone misalignment remain persistent concerns. How effectively has the industry addressed these issues in practice, and are there residual risks that the market has yet to fully resolve?

Stirling: The coordinated go-live date was the right decision and has reduced fragmentation risk considerably compared to a staggered approach. But regulatory alignment and operational harmonization are different things. Cut-off times, penalty regimes, and instruction formats still vary across markets, and those differences don't disappear on 11 October 2027 — they become more consequential.

FX settlement remains the most structurally unresolved issue. The compressed window creates a genuine funding challenge for cross-currency trades, particularly for Asia Pacific managers whose FX execution window is materially narrower once European time zones are factored in. That is not a problem that coordination at the regulatory level fully addresses.

The residual risk the market has not fully resolved is the multi-leg cross-border trade — where securities move between CSDs, cash settles across different payment systems, and each leg operates on a different message standard and cut-off.

AccessFintech's AccessIQ addresses this by providing both parties with visibility of their respective instructions regardless of where they are alleging, surfacing PSET or SSI differences and cross-border mismatches in real time so remediation is clear without manual investigation. Visibility is the prerequisite for resolution at T+1 speed. Providing prematching insights allow FX orders to be executed earlier reducing the overs/unders risk and trading during more favorable liquidity times.

Chow: The fragmentation and time zone misalignment challenges across the UK, EU and Switzerland are well-documented and broadly understood across the industry. We are seeing financial services firms generally following one consolidated T+1 transition programme, taking a holistic view across all European markets, while also focusing on the impacts and different timelines within specific jurisdictions, which includes intra-EU jurisdictions.

We see that a further area of focus for the industry should be in place of settlement (PSET) exchange and instruction at the point of allocation. As the timeline to instruct and resolve exceptions significantly decreases, it will be important for counterparties to instruct the correct place of settlement at the point of first instruction. That may include a cross-CSD settlement as necessary, which is a process the industry can accommodate today, but which will need to be made more scalable, and with further industry practices around how to instruct cross-CSD settlement an important factor.

There is also continued focus to consider time zone and FX misalignments globally, with Europe moving to T+1. Examples include a potential compression of EU fund settlement cycles, or in the primary market create/redeem practices of ETFs, where for an in-kind creation of a US ETF, collateral calls and payments must be processed much more quickly to provide sufficient time to transact in European stocks.

Dessertenne: Although coordination across the region is remarkable, and the joint testing plan is a good example of this, FX settlement remains a critical challenge indeed. The industry has adapted through greater automation, earlier processing, and wider adoption of automated FX and netting solutions, alongside established infrastructures like continuous linked settlement to reduce settlement risk and improve cross-border efficiency.

Yet, time zone misalignments continue to compress funding and settlement windows, especially for investors bridging Europe and Asia Pacific. Cross-border transactions also rely on tightly sequenced processes (trade execution, FX conversion, funding, settlement), leaving less room for error under T+1, particularly for failed trades or last-minute adjustments. While these structural constraints persist, ongoing investments in standardisation and real-time tracking should progressively mitigate their impacts.

Additionally, buy side firms need to evaluate whether their existing model for funding cross-border trades in a T+1 environment is still workable. If they presently use third parties to execute FX post the execution of the securities trade, they may consider other options such as pre-funding or delegating the FX execution to their custodian. This is a crucial decision to be made rapidly by buy side clients.

From an operational perspective, earlier access to information on trade status, matching, affirmation funding and settlement progress will enable operational teams to identify risks sooner and prioritise actions before market cut-offs. This will be particularly relevant for clients operating across multiple markets and time zones where compressed processing windows require greater anticipation and closer operational coordination.

Pitts: A key objective of the EU T+1 transition has been greater harmonisation. The recommendations in the EU High-Level Roadmap are aimed at all EU markets, but there will still be market specificities after October 2027. TARGET2-Securities (T2S) offers this harmonisation, and as more markets join T2S, a key harmonisation objective will be met.

With FX settlement, ensuring that clients are able to fund their transactions across the transitioning European markets within the compressed timelines is also key. Custodians can support clients with automated FX generation following their trading.

Time zone differences are challenging. Custodians can provide support using follow-the-sun operational support or by providing outsourcing solutions like Citi's Execution to Custody (E2C) model.

Grayland: In practice, issues still exist. T+1 will bring real benefits to the industry, such as reduced margin and collateral requirements, and lower counterparty risk from shorter open positions. But it does not yet address a core driver of inefficiency in post-trade settlement: a lack of consistency.

ESMA's recent amendments to the regulatory technical standards are a step in the right direction, including the mandatory use of electronic, standardised communication channels and international messaging standards, and minimising references to communication methods like oral allocations and confirmations.

The problem is mandating an electronic channel does not guarantee a consistent format or universal adoption when getting into bespoke products and structured trades. The biggest cause of inefficiency remains: two counterparties independently booking the same trade in separate systems. This will exist until there is a shared source of truth between them.

Client readiness was widely flagged as a potential weak link in the settlement chain. How has the reality matched expectations, are institutional clients, asset managers and pension funds genuinely prepared, or are custodians still carrying a disproportionate burden in compensating for client-side gaps?

Grayland: Readiness gaps have not been distributed equally. Larger institutional clients with mature operations have adapted well, while others continue to lean on custodians to bridge the gap. Market utilities have made genuine progress consolidating client-side data — for example, automating the collection of standing settlement instructions that used to be chased manually — but custodians are still often left sourcing information from disparate systems and counterparties to fill in what is not captured centrally.

So, while the industry is moving in the right direction, many custodians continue to carry a meaningful share of the operational burden, simply because the underlying fragmentation has not been fully resolved yet.

Dessertenne: The changes to the EU operational timetable and the night-time settlement cycle of T2S raise critical questions for all parties: at what time do you currently send settlement instructions to your custodian? Do you have batch processes that could impact your ability to send instructions before the 23:59 cut-off? There are functionalities introduced with T2S that are

already available, i.e. partial settlement, partial release, hold-and-release, linkage, prioritisation. Have you considered implementing them? They could become decisive with the compressed settlement cycle.

Larger institutions already have dedicated transition teams, sit on industry working groups and have injected budget into the technology, data quality and process automation upgrades that the T+1 transition requires. Their roadmaps are visible, they actively co-design the new settlement model with their custodians.

The reality is a little different for smaller, mono-market or regional players. Without dedicated resources, or association participation, many of these firms feel remote from the transformation and look to their custodians to absorb the operational lift. Geography adds another layer of disparity. From a settlement perspective, firms located outside of European time zones have key decisions to make as to how they process on trade date. Probably the highest point of attention is with buy side actors outside of the European region, notably in the Asia Pacific region. There are also pockets of non-automated confirmations which we hope the recent changes to the regulation will help address.

To close the readiness gap, we have launched at the end of 2025 a client roadshow backed by a series of hands-on workshops. Custodians have an important role to play by leveraging operational data to identify recurring behaviours, prioritise client engagement and support continuous improvements. Regular operational reviews based on settlement operational data can help clients strengthen their own operating models while contributing to overall market efficiency.

That is why we are reviewing our clients' settlement efficiency indicators, measuring the straight-through-processing rate of clients' instructions, identifying the volume of manual trades, pinpointing the root causes of repairs, and mapping how many transactions settle today at T0, T1, or T2. Such operational indicators provide valuable insight into how prepared clients are for T+1 and can help identify where operational process revisions are needed. We are also actively working with our buy side clients to analyse their data and behaviour, test workflows and help them review their funds strategy where it makes sense.

Chow: There is a full range of readiness across buy side firms, with some clients almost ready to go-live today given enhancements made for this and prior transitions, and others who benefit from further education and outreach. A core part of our T+1 transition programme is our client engagement workstream. We

have generally found our clients to have a good degree of focus on T+1 settlement, though there is work to be done prior to go-live.

A key area of focus for us is the development of metrics, both internally and in delivery to clients. Internally, having a view of our client metrics enables us to focus on clients that may benefit the most from further sessions, education, or transparency on metrics. Additionally, having a view on metrics per counterparty and per market enables us to target engagement with areas, markets or stakeholders where we can see the most room for improvement.

Finally, partnering with clients to provide more transparency on the metrics we see for them empowers them to perform their own analysis in potential areas they can improve their operational process.

In short, we are closely working with our institutional clients on the T+1 preparation and are not seeing a disproportionate burden. On the contrary, collaboration, including among trade bodies, has been constructive, as reflected in the joint publications produced across the UK, EU, and Swiss T+1 workstreams.

Pitts: As a custodian, Citi has consistently emphasised to clients that T+1 planning cannot be borne by custodians alone.

T+1 compresses the settlement cycle by more than 80 per cent. In turn, eliminating — or at least reducing manual processes is key for clients to be able to complete settlement on the day after the trade date. Buy side clients must ensure that Standard Settlement Instructions (SSIs) are correct and shared electronically, the Place of Settlement (PSET) is included at the point of allocation and settlement instructions are complete and automatically passed to their custodian to manage the condensed settlement process.

Stirling: Client readiness has been uneven, and custodians have absorbed more of the gap than was anticipated. Large, well-resourced asset managers with modern OMS infrastructure have largely adapted. The picture further down the client spectrum — mid-tier buy side, pension funds, clients still operating semi-manual confirmation workflows — is more mixed.

STP is critical to firms successfully adapting to T+1, but where STP is not achievable, clear ownership and action clarity become the next line of defense. AccessFintech provides that clarity — eliminating lengthy email chains, enabling self-service resolution at the point of booking, and ensuring that where an exception remains open, structured data and communication flows between parties rather than getting lost in bilateral back-and-forth.

The partialling workflow we have built for markets where CSDs or local agents do not facilitate auto-partials has been one of the most practical tools for supporting clients through the transition — significantly reducing unencumbered assets and improving balance sheet and P&L outcomes. That is a tangible operational benefit that directly addresses where client-side gaps have been felt most.

Straight-through processing was identified as essential to T+1 success. Where do STP rates actually stand today across the industry, and are current levels sufficient to prevent a material increase in settlement failures when the October 2027 deadline arrives? Where are the remaining bottlenecks?

Stirling: STP rates tell part of the story, but not all of it. Aggregate rates mask significant variation by participant type, flow, and asset class. Cross-border allocations, certain fund structures, and any workflow with manual confirmation steps are where the remaining bottlenecks concentrate.

What matters equally is what happens when STP breaks down. Exception queues limited to genuinely actionable items — rather than flooded with noise — are what allow operations teams to focus effort where it counts. AccessIQ reduces operational effort in the pre-matching space by approximately 90 per cent by eliminating redundant exception creation and enabling automated remedial actions. That capacity gain is what allows firms to manage the exceptions that remain without defaulting to headcount as the contingency.

The firms that will be best positioned going into and beyond October 2027 are those treating STP improvement and exception management quality as parallel workstreams, not sequential ones.

Grayland: STP rates have increased, but there is still room for improvement. The genuine bottlenecks are fairly consistent across the industry: processing unstructured data that does not arrive in a clean, machine-readable format; inconsistent support across different product types, particularly anything bespoke or OTC; and exceptions still being caught and resolved late rather than prevented upstream.

Some firms have defaulted to adding headcount to manage exceptions manually rather than addressing why those exceptions occur in the first place. That is a workable short-term fix, but it does not scale, and it leaves firms exposed as volumes and

time pressure increase. Those well-prepared have spent time identifying the top 5–10 per cent of inefficiencies that lead to breaks and automating them.

Pitts: STP is essential to T+1 success. In the T2S markets and larger European markets, like Sweden, STP rates are high. However, there are smaller markets where there is room for improvement. Generally, where STP rates are high, settlement fails are considerably lower. Bottlenecks from manual processes, poor data quality, and inconsistent use of data fields, need to be addressed to achieve higher STP rates.

Dessertenne: Improving STP remains an important objective, and it should be seen as the outcome of stronger operational discipline. Better data quality, accurate SSI management, timely allocations, earlier client affirmation and proactive exception management remain the main levers to improve settlement efficiency. As settlement cycles shorten, reducing manual interventions and addressing the root causes of recurring repairs will become increasingly important to maintain high settlement performance.

Across BNP Paribas' Securities Services business, the main operational gains achieved so far have come from process simplification, workflow automation and improved data quality. These initiatives provide operational teams with greater visibility across the settlement cycle, allowing earlier identification of exceptions and more effective prioritisation of operational actions.

From a middle office perspective, trade capture, matching and settlement STP rates are quite high, but timely, automated and accurate broker confirmations need to improve.

The understanding and proactive management of inventory by the buy side is important to ensure that any requirement to move assets is limited. The introduction of the notification at the time of allocation and confirmation of the place of settlement (PSET) is a key step also in reducing failed trades.

Chow: Increasing STP rates has been a fundamental focus for us that precedes the European transition to T+1 Settlement, though it further concentrates attention.

We see good levels of STP rates today, with some clients seeing close to 100 per cent of their instructions flow without manual intervention, though there is more work to be done in other areas. We provide clients with STP rate metrics for settlements and corporate actions instructions as a matter of course.

Assessing STP rates from an industry perspective is challenging, as there is no key set of parameters by which to measure this rate, and there are scenarios where a transaction can flow and flag as STP, but only because of manual flows undertaken beforehand.

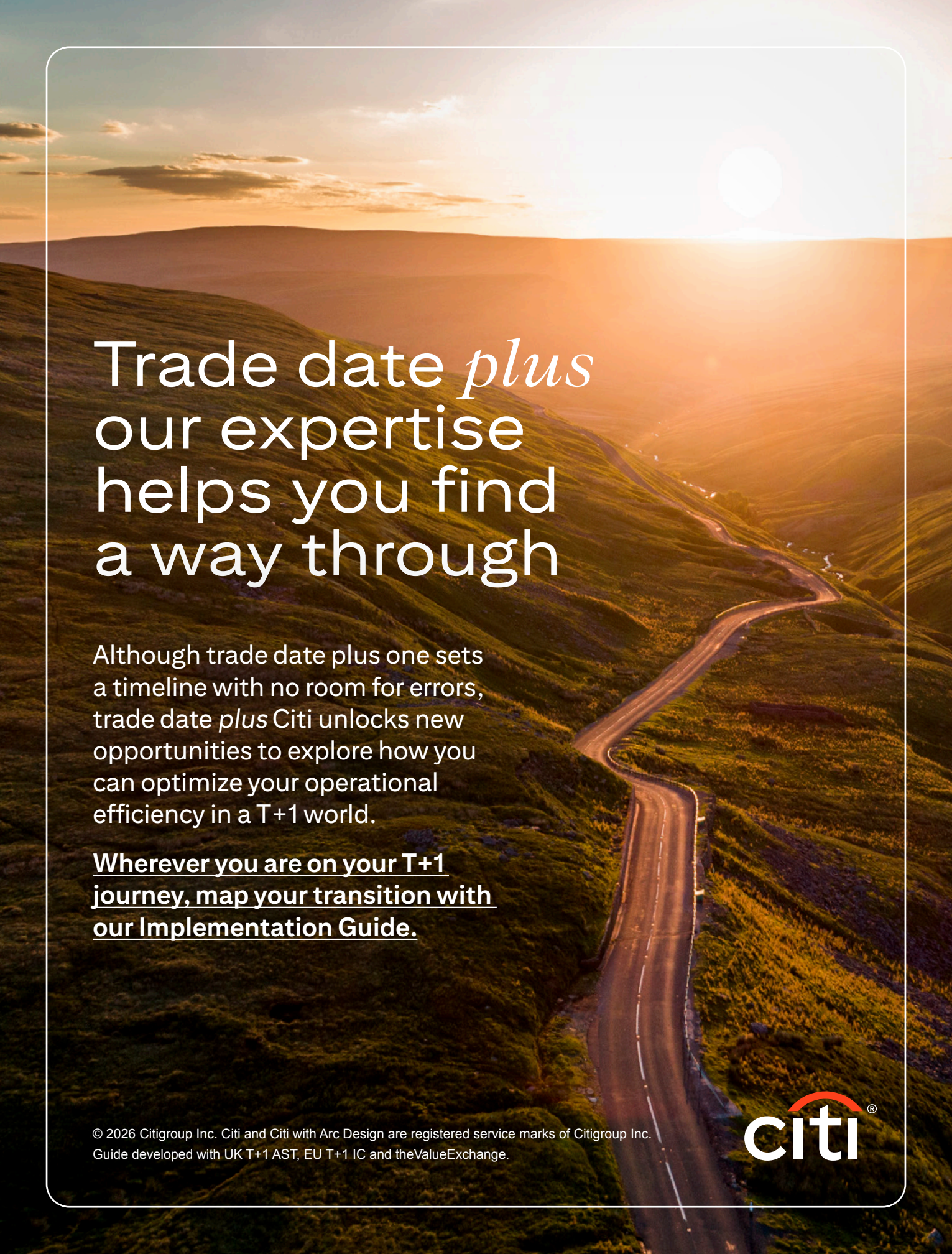
Instead, it will be crucial for the industry to review key metrics in the run-up to T+1 go-live, such as the percentage of trades being submitted on trade date as published by EUI in the UK. As firms make enhancements in the lead up to go-live, this number should increase, with the industry aim that improvements made in the lead-up to go-live should offset any reductions at the go-live date. Firms performing a gap analysis against these metrics will be able to identify bottlenecks, such as around inventory management, stakeholder dependency, transaction flow flaws and more.

T+1 has accelerated conversations around AI-driven reconciliation, real-time data sharing and automated exception management. Which specific technology investments have delivered the most tangible operational improvements so far, and how are vendors and custodians collaborating differently as a result of T+1 pressure?

Stirling: Real-time pre-matching capability and consolidated visibility across providers have delivered the most tangible operational improvement. The shift from end-of-day batch exception processing to continuous intraday matching fundamentally changes the failure profile of a settlement operation — problems surface earlier and remediation windows are longer, even as the overall cycle compresses.

The other meaningful shift has been in how data flows between counterparties. The traditional model — each participant maintaining their own trade view and reconciling bilaterally through email — is incompatible with T+1. Platforms that give both sides of a trade a shared, real-time view of the same data have demonstrated measurable improvements in resolution times.

Embracing AI through AccessIQ themes takes this further — facilitating additional STP through root cause analysis and enabling the systematic changes needed to prevent recurring exceptions, not just resolve individual ones. Connecting systems front-to-back and back-to-front allows automated remediation as data flows seamlessly internally and externally, opening further opportunities across inventory management, cash and collateral, and asset servicing.

A scenic photograph of a winding asphalt road through a lush green valley. The sun is low on the horizon, creating a warm, golden glow across the sky and the landscape. The road curves through the hills, leading the viewer's eye into the distance.

Trade date *plus* our expertise helps you find a way through

Although trade date plus one sets a timeline with no room for errors, trade date *plus* Citi unlocks new opportunities to explore how you can optimize your operational efficiency in a T+1 world.

Wherever you are on your T+1 journey, map your transition with our Implementation Guide.

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Grayland: AI agents applied to specific use cases have driven real, tangible operational benefits. For example, trade confirmations are still routinely exchanged as PDFs, SWIFT messages, or free-text emails. Xceptor's Confirmations Extraction Agent helps our clients extract and normalise large volumes of this unstructured data, improving the speed and accuracy of the confirmation step that feeds into settlement.

Another agent extracts standing settlement instructions from emails and documents, validates them against reference data, and routes exceptions for review to further reduce manual intervention.

AI-driven exception management — clustering similar breaks, surfacing recurring patterns, and flagging anomalies — is starting to cut through what has long been one of the industry's most persistent pain points: inconsistent, ad hoc manual intervention on the roughly 20 per cent of trades that do not match cleanly.

We should also remember that reconciliation, by its nature, is retrospective. It compares two records after the fact. T+1 demands something closer to real-time matching and validation as data arrives, not a clean-up exercise the next day. The firms making genuine progress are the ones investing in real-time data processing rather than simply speeding up their existing batch-based reconciliation.

Regarding collaboration, the shift we are seeing is AI agents, people, and processes working together inside a robust governance framework. Agentic automation is increasingly expected to operate with validation steps, confidence scoring, and traceable reasoning, so that human teams retain oversight and control even as activity volumes increase.

As a result, the vendor-custodian relationship is no longer just about deploying a tool, but about a partnership focused on designing controls, audit trails, and escalation paths that let firms scale automation without losing regulatory defensibility.

Pitts: There is no doubt that AI will provide long-term benefits in operational processes such as reconciliation and data analysis, however human involvement remains critical to ensure accuracy and reliability of AI, data, and related processes.

Chow: A challenge with enhancing technology across European markets is that it can be difficult for a single solution to work for all markets "out of the box", with adjustments having to be made per market.

T+1 Settlement gives us the opportunity and impetus to encourage standardisation of market and infrastructure practices. More harmonised processes across jurisdictions enables a more homogenous solution or flow across markets holistically and J.P. Morgan has played a leading role across industry forums in driving standardised processes.

This includes co-chairing of the AMI-SeCo Corporate Events Group (CEG) through Mike Collier, which in March 2026 produced the T+1 Corporate Events Harmonised Implementation Guide. The guide looks to harmonise how market claims and transformations are handled by different markets across Europe, and further defines the buyer protection flow, a process safeguarding that the entitled buyer of a security eligible for an asset servicing event can exercise their election.

Homogenous market process also encourages market-wide adoption of tools such as auto-partial. If a tool is offered across the full range of European markets, firms are more likely to opt-in as it reduces the requirement to run bifurcated flows.

As the market continues to harmonise, we expect to see firms reap greater benefit from enhancements. While all enhancements are important, we see the most benefit in any latency taken out of the settlement lifecycle, whether it is in infrastructures reviewing their operational day, clients transitioning from an end-of-day instruction process to live instruction, or internal improvements.

With T+1 go-live now firmly in sight, attention is beginning to turn to what comes next, whether T+0, tokenised settlement on distributed ledger infrastructure, or real-time gross settlement. How are custodians ensuring that their T+1 investments are genuinely future-proofed, rather than simply solving for the immediate regulatory deadline?

Chow: We are consistently looking to optimise our infrastructure and therefore a clients' post-trade processes, whether it's minimising latency from a trade instruction or asset servicing election, providing optimised information for clients to instruct STP or in regularly reviewing and seeking to improve cut-off times. Separately, we are partnering with clients and infrastructures to deliver on initiatives around DLT and AI. What we are seeing already in the US is a trend towards extended settlement times and days (to 24/7), especially in cash and tokenised markets, and we expect this to be a trend for the future in Europe as well.



Discover more

ARE YOU READY FOR T+1?

Prepare your operations for the upcoming
T+1 trade settlement transition



Automation at scale

Eliminate manual processes for confirmations and reconciliations



Data integrity

Ensures, accurate, validated data flows across systems for faster settlement



Straight-through processing

Reduces operational bottlenecks & accelerates post-trade workflows



Regulatory readiness

Supports compliance with T+1 mandates via robust audit trails

1

Maintain operational visibility & identify risks earlier through MI & reporting

2

Connect to any data source for end to end process digitisation

3

Configurable platform built for business users so you can **quickly adapt to changing needs**

4

Handle complex financial data whatever the format – structured/unstructured, email/PDF/CSV & more

A successful European T+1 transition should not be taken for granted, and with further markets to transition post-Europe go-live, we expect it to be a continued topic where the industry cannot be complacent.

Stirling: T+1 is not the destination — it is the infrastructure forcing function. The firms investing wisely are building capabilities that scale beyond 2027: real-time data sharing, automated exception management, interoperable connectivity across providers and asset classes. Those aren't T+1-specific features; they become more valuable as settlement cycles compress further.

AccessFintech's platform is asset class agnostic and CSD agnostic by design. The same infrastructure that provides consolidated pre-matching visibility across securities markets today extends naturally to derivatives, repo, and other asset classes — and to whatever settlement model comes next including reducing the number of asset movements through our settlement compression offering. Improving data sharing capabilities opens further opportunities across the full post-trade workflow: inventory management, cash and collateral movements, and asset servicing.

T+0 and distributed ledger settlement are directionally correct but remain a multi-year horizon for mainstream securities. The immediate opportunity is eliminating the manual touchpoints and data fragmentation that still exist at T+1. The firms building for that now — not just solving for the regulatory deadline — are the ones building infrastructure that is genuinely future-proofed.

Pitts: The move from T+2 to T+1 is compressing the amount of time to do the same processes as today. The end-of-day process remains the same. CCPs may have only 30 minutes from the close of a trading exchange to net positions and pass the netted instructions to the CSDs. T2S will start its settlement processing at midnight and continue to settle throughout the day until the DVP cut-off. Outside of T2S, settlement will still be processed in batches, but these will be more frequent to improve settlement.

T+0 will completely change the landscape. This might be real-time gross settlement but the expectation is that it will be instantaneous settlement throughout the day, 24/7, using digital assets rather than traditional currencies. Custodians need to prepare for this significant change rather than just the settlement compression and increased automation required for the T+2 to T+1 move.

Accelerated settlement cycles are one component to the future of the industry. We are clear that the future of post-trade is instant so we are making investments geared towards this future

while addressing immediate deadlines and needs. This includes building our real-time custody capabilities across areas like corporate events, asset servicing and settlements, and supporting digital and traditional assets through our infrastructure.

Dessertenne: The first step is to clarify what T+0 really means. It can refer to intraday settlement that occurs before the end of the business day, to a batch-process that runs continuously throughout the day, or to true atomic settlement where ownership transfer and payment happen in a single split second. Each interpretation carries different requirements for messaging speed, liquidity management and regulatory oversight. While the industry agrees that T+0 is inevitable, it is not feasible anytime soon.

The necessary regulatory framework, industry-wide process and the willingness to overhaul legacy platforms are still under development. Consequently, we focus on making T+1 as adaptable as possible, so that any future reduction in settlement lag can be achieved by building on an already modernised foundation. From an operational standpoint, future-proofing means investing in capabilities that remain valuable beyond T+1. Flexible operating models, robust operational data, enhanced monitoring capabilities and stronger settlement analytics will support future market changes while continuing to improve day-to-day operational performance. The investments made today should therefore not only facilitate future settlement cycles but also strengthen operational resilience and settlement efficiency across the broader securities services ecosystem.

Grayland: The custodians thinking furthest ahead are building the underlying capabilities that can support real-time settlement today: real-time data processing, AI-enabled exception handling, governed AI workflows, and stronger intraday controls. These are all foundational capabilities that T+0, tokenised settlement, or RTGS will all rely on.

However, the lack of consistency across systems remains a real barrier as settlement cycles compress further. As timelines shrink, both confirming and reconciling two representations of the same trade becomes increasingly difficult to do in the time available.

Progress toward real-time settlement depends on moving toward a single, shared, immutable trade record. For example, via distributed ledger infrastructure, or infrastructure that enables intraday or event-based data, to provide the visibility that T+0 requires. Custodians who are only solving for T+1's deadline risk having to revisit the same problem all over again when the industry pushes toward T+0. ■



T+1 is almost here. Is your post-trade stack ready?

Accelerate exception management, reduce settlement failures, and gain real-time visibility across your entire post-trade ecosystem.

Real-Time Exceptions

Identify and resolve trade breaks before they become settlement failures with AI-powered exception detection.

Cross-Industry Collaboration

Connect counterparties on a single platform to resolve discrepancies faster than ever in a compressed settlement.

Actionable Analytics

Identify and resolve trade breaks before they become settlement failures with AI-powered exception detection, prioritisation and ownership assignment

Scan Below for More Info



Corporate actions modernisation

Better data is only the beginning

Jonny Ruck, co-founder at Intelliactions, looks at why the next stage of modernisation is not replacing the industry's data agenda, but is making that agenda useful by connecting data quality to economic materiality

Corporate actions have long been one of the most complex, manual, and resource-intensive areas of asset servicing. The industry has spent years trying to improve the quality, consistency and timeliness of corporate-actions data — and rightly so. Without accurate data, no operating model can scale safely.

But better data is not the end goal. It is the foundation.

The real question is what firms do with that data once they have it. Does it simply help them process more events more quickly? Or does it help them make better decisions about which events carry the greatest economic value, which require enhanced review, and where operational expertise should be focused?

The Depository Trust and Clearing Corporation (DTCC) and The ValueExchange estimate that, for US securities alone, the industry spends approximately US\$58 billion annually processing corporate actions, with a potential US\$15 billion opportunity available through greater standardisation, improved data practices, and golden source data.

DTCC also notes that only 4 out of 10 voluntary corporate action events currently achieve straight-through processing (STP) because of operational complexity and data inefficiencies.

These figures underline the scale of the challenge. Corporate actions are not a marginal back office issue. They represent a major industry cost base, a significant operational burden and, in many cases, a source of material economic risk.

The industry's response has understandably focused on better data. Golden-source models, ISO 20022, standardisation, APIs and automation are all essential parts of the answer. But better data alone does not resolve the deeper challenge: how should firms decide where to apply their operational attention?

A golden source can help identify what the event is. It does not, by itself, answer which events matter most.

A visibility gap, not a competence gap

This is not a criticism of corporate-actions teams. Quite the opposite. Corporate-actions professionals manage one of the most complex and time-sensitive areas of post-trade processing. They work under deadline pressure, across multiple markets and intermediaries, often with fragmented data, inconsistent market practices and significant client expectations.

In many cases, operations teams understand the risk better than anyone because they see the practical consequences of flawed data, compressed deadlines and manual intervention every day.

The issue is not capability. It is visibility.

Many operating models do not yet provide corporate actions teams with a structured view of the economic value attached to each event. Workflows are often driven by event type, deadline proximity, exception status, client instruction and market practice.

These are necessary controls, but they do not always show the potential financial consequence if an event is mishandled.

A low-value routine event and a high-value voluntary event may both require processing. But the consequence of getting them wrong can be dramatically different.

A missed election, incorrect default option, flawed data point, misunderstood conversion right or delayed instruction can create very different outcomes depending on the position size, event terms and market value involved.

If teams cannot see that value clearly, they cannot always use it to drive prioritisation.

What the front office already takes for granted

I have seen this divide from both sides of the same desk. Earlier in my career I processed corporate actions in the back office, working the deadlines, data gaps, and default options that come with every event. Later, I traded corporate actions arbitrage in the front office, where the same events were assessed purely on economic exposure and potential return.

The events themselves did not change between those two seats. What changed was how clearly the risk was framed, measured and prioritised.

In the front office, economic exposure drives behavior.

A trading desk does not treat a US\$50,000 exposure in the same way as a US\$500 million exposure. Portfolio managers, traders, credit teams, and market-risk functions all understand that risk must be measured, ranked, and escalated according to potential financial impact.

The point is not that the front office is more sophisticated than operations. The point is that the front office is usually given clearer tools to see and quantify economic exposure.

Having sat on both sides of that line, I can say the underlying risk in a corporate action does not actually change depending on where it is viewed from. A mishandled election carries the same economic consequence whether it is caught in operations or in a trading book. What differs is only how visible that consequence is made to the person responsible for acting on it.

Corporate actions teams should be supported in the same way.

If an operational error can create the same financial consequence as a trading error, then the operating model should help teams identify where that consequence is greatest. The objective is not to question the expertise of operations teams. It is to ensure that their expertise is supported by the same economic visibility that other risk-sensitive functions already rely on.

That is why corporate actions should increasingly be viewed not only as a processing function, but as an economic-risk function.

The pressure is increasing

The need for a more value-aware model is becoming more urgent.

Broadridge and The ValueExchange's 2025 asset-servicing research found that asset-servicing volumes are growing by more than 25 per cent, while data issues remain one of the largest causes of errors. The research shows that up to 67 per cent of errors are driven by data issues, and that system spend is reducing for 41 per cent of respondents, even as volumes and operational pressure continue to rise.

That creates a difficult operating environment: more events, more complexity, more data risk, more manual intervention, tighter budgets and higher client expectations.

In that environment, asking teams simply to process more events with the same level of manual intensity is not sustainable.

Nor is it fair to expect operations teams to absorb increasing complexity without giving them better tools to distinguish where their expertise is most needed.

The industry needs a better way to allocate effort.

Operational intensity should reflect economic materiality

The principle should be simple: operational intensity should be proportionate to economic exposure.

This does not mean low-value events are ignored. It does not mean firms reduce standards or take shortcuts.

It means that enhanced review, senior escalation, data validation and manual intervention should be directed first toward the events where the potential financial consequence of failure is greatest.

That requires three connected layers.

First, the industry still needs better data. Standardised, timely and reliable data is the foundation for any improved operating model.

Second, firms need better data confidence. It is not enough to know what the data says; firms also need to know how reliable it is. Where multiple sources disagree, where terms are incomplete, or where documents are complex, those events should attract greater operational attention.

Third, firms need better value visibility. They need to understand which events carry the greatest economic exposure by looking at potential missed value, loss exposure, position size, event complexity, deadlines, optionality and client impact.

The future model should bring these layers together. Better data should not simply feed a faster workflow. It should support better prioritisation.

Voluntary events make the case clearest

The argument is especially strong for voluntary corporate actions.

Voluntary events often involve elections, deadlines, market-specific procedures, defaults, proration, conditional terms and client-level decision-making.

They are more difficult to automate and often require more human judgment. That is consistent with DTCC's finding that only 4 out of 10 voluntary corporate action events achieve STP.

But not every voluntary event carries the same economic consequence. Some may have limited value impact. Others may

involve significant optionality, large positions, complex election mechanics or high client sensitivity.

Treating all voluntary events with the same operational intensity is therefore inefficient and potentially risky.

The same logic applies across scrip dividends, tender offers, exchange offers, rights issues, Dutch auctions, merger elections, redemptions, convertible bond events, and other complex voluntary or elective processes.

In each case, the operational question should not only be 'what is the deadline?', it should also be 'what is the economic consequence if this event is mishandled?'

That question moves corporate actions from a purely administrative workflow into a risk prioritisation discipline.

Making the data agenda useful

The industry is right to pursue better data. But data quality should not be viewed as the final destination. The next stage of modernisation is not replacing the industry's data agenda. It is making that agenda useful by connecting data quality to economic materiality.

Cleaner data tells firms what is happening. Value visibility tells firms what matters.

When those two things are combined, operations teams can make better decisions about where to apply human expertise, where to escalate, where to validate, and where a lighter-touch process may be appropriate.

That is how firms reduce cost and risk at the same time.

For years, the industry has asked 'how do we process corporate actions more efficiently?'

That question remains important. But it is no longer enough.

The next question should be 'how do we prioritise corporate actions according to economic materiality?'

This is a governance question as much as a technology question. It affects resource allocation, risk management, client service, controls, escalation, and accountability.

Conclusion

Corporate actions modernisation is entering a new phase.

The industry still needs better data, greater standardisation and more automation. Those remain critical. But better data only becomes transformative when it changes the way firms manage risk and allocate operational effort.

This is not about replacing human expertise. It is about supporting it.

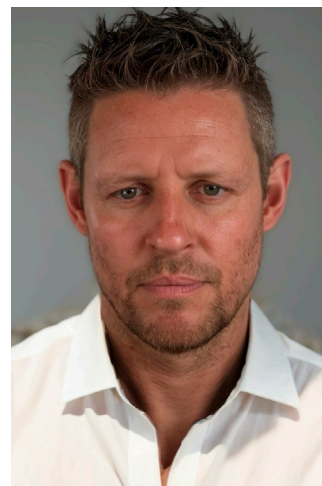
Corporate actions teams already understand the complexity of the events they manage. The next step is to give those teams clearer visibility of the value at risk, so that their expertise can be focused where it has the greatest impact.

Not every event is economically equal. Not every event requires the same level of operational intensity. And not every event carries the same consequence if something goes wrong.

The next generation of asset servicing will not be defined only by cleaner data. It will be defined by how effectively firms use that data to identify value, prioritize risk and focus human expertise where it matters most.

Better data is only the beginning. The real opportunity is turning that data into value based decision making. ■

Jonny Ruck
Co-founder
Intelliactions



When compliance becomes a moving target

As sanctions regimes proliferate, private markets expand, and regulatory expectations evolve, financial crime compliance has become one of the most operationally demanding functions across asset servicing. Zarah Choudhary explores how firms are navigating a new era of financial crime risk



Financial crime compliance has always been a moving target. Criminals evolve their methods, regulators tighten their expectations, and financial institutions adapt accordingly. Over the past five years, however, the pace of change has accelerated dramatically.

The convergence of geopolitical conflict, increasingly sophisticated financial crime, rapid technological innovation, and expanding private markets has fundamentally altered the operating environment for asset servicers. Anti-money laundering (AML) programmes, once centred on customer onboarding and transaction monitoring, are now expected to identify complex ownership structures, monitor rapidly evolving sanctions regimes, verify the source of wealth behind investments, and guard against increasingly sophisticated AI-enabled fraud.

The scale of this transformation is reflected in the numbers. According to LSEG's Global Sanctions Index, the number of global sanctions has increased by more than 440 per cent since 2017, driven largely by geopolitical tensions including the Russia-Ukraine conflict and wider developments involving Iran, Belarus, China, and the Middle East.

For firms facilitating trillions of pounds in cross-border assets, financial crime compliance has become far more than a regulatory obligation. It now sits at the intersection of geopolitics, data governance, technology, and operational resilience.

As Sean Vickers, managing director and global head of client lifecycle management (CLM) at Delta Capita, explains, firms have experienced "a significant increase in both regulatory scrutiny and complexity" in recent years.

"Sanctions have evolved from being a relatively static compliance obligation to a rapidly changing geopolitical risk management challenge, driven by events such as the Russia-Ukraine conflict, heightened US-China tensions, and the expansion of global sanctions frameworks," he explains.

"The biggest challenge is maintaining a holistic view of risk across increasingly complex investor, intermediary, and fund structures while controlling operational cost and client friction."

Sanctions become a geopolitical instrument

Although sanctions have long formed part of financial crime compliance frameworks, their role has changed significantly

over the last decade. Rather than functioning primarily as tools against terrorism or organised crime, sanctions have become central instruments of international diplomacy, evolving rapidly in response to geopolitical events.

Successive rounds of restrictions introduced following Russia's invasion of Ukraine demonstrated how quickly governments can impose measures targeting individuals, financial institutions, sovereign assets, and entire sectors of an economy. At the same time, export controls and technology restrictions have expanded alongside more traditional financial sanctions, creating a regulatory environment that is increasingly dynamic and politically driven.

Jamie Rogers, partner at Hogan Lovells, believes this represents a fundamental shift.

"The sanctions landscape has changed dramatically over the last five years," he says.

"Sanctions have moved from static to dynamic and continuously evolving regimes as legislators establish sanctions restrictions and then legislate to prevent circumvention."

Rather than focusing solely on designated individuals and organisations, regulators are increasingly targeting attempts to evade sanctions through intermediary jurisdictions, layered ownership structures, and indirect trading relationships.

"The extraterritorial reach of sanctions has become increasingly important. Legislators are seeking to prevent sanctioned persons from accessing international markets indirectly through third countries or complex ownership arrangements", Rogers adds.

For internationally-active asset servicers, this creates significant operational challenges. Compliance teams must not only identify clients and counterparties but also understand where capital originates, who ultimately controls investment vehicles, and whether changing geopolitical developments have altered the risk profile of an existing relationship.

Robin Cotterill, chief compliance officer at Carne Group, notes sanctions have become one of the fastest-moving areas of financial crime compliance.

He says that sanctions lists now contain almost 80,000 sanctioned individuals, entities, and organisations globally, while the overall number of sanctions has risen sharply over the last decade.

“With sanctions programmes frequently updated in response to geopolitical developments, firms are increasingly required to reassess risks in real time rather than relying on static compliance frameworks”

“The direction of travel is clear,” he informs. “Notwithstanding year-on-year fluctuations, the stock of sanctioned individuals, entities and organisations has expanded substantially, increasing the screening burden for firms operating cross-border.”

With sanctions programmes frequently updated in response to geopolitical developments, firms are increasingly required to reassess risks in real time rather than relying on static compliance frameworks. As Cotterill puts it, the industry is moving “from a world of consensus and correlation to one of navigation” — a shift that demands greater agility as well as a deeper understanding of increasingly interconnected global risks.

Can the AMLA deliver consistency?

While sanctions regimes continue to evolve globally, Europe is pursuing a different objective: harmonisation.

The creation of the Anti-Money Laundering Authority (AMLA) marks the most significant overhaul of the EU’s financial crime framework in decades.

Alongside the new Anti-Money Laundering Regulation (AMLR), the AMLA is intended to reduce regulatory fragmentation through a single rulebook, harmonised supervisory standards, and closer coordination between national supervisors and

Financial Intelligence Units (FIUs). For firms operating across multiple European markets, the long-term ambition is clear: greater consistency, clearer supervisory expectations, and fewer differences in how AML rules are applied.

Vickers describes the AMLA as “the most significant reform of the European AML framework in decades”.

“Its objective is to reduce regulatory fragmentation through a single rulebook, harmonised supervisory standards, and greater coordination across member states,” he says.

“In the longer term, firms should benefit from greater consistency and predictability across Europe.”

However, harmonisation will not necessarily simplify compliance overnight. During implementation, firms will need to review governance frameworks, customer due diligence procedures, risk assessment methodologies, and reporting arrangements to ensure they align with the new regime, while continuing to meet requirements in jurisdictions outside the EU.

Claire Lipworth, partner at Hogan Lovells, believes the AMLA should improve consistency for firms operating across multiple member states, but notes that organisations will still need to balance EU-wide expectations with national requirements and wider international obligations.

Cotterill agrees that the long-term direction is positive but warns the transition could initially increase operational complexity.

“The development of a common rulebook has been designed to harmonise and simplify AML regulation,” she explains, “but firms may find they are facing another layer of supervision alongside existing national competent authorities rather than a straightforward replacement.”

While Europe is working towards harmonisation internally, firms with global operations must continue navigating increasingly divergent regulatory expectations elsewhere — a balancing act likely to define compliance strategies for years to come.

Looking beyond the customer

If sanctions have reshaped the external risk landscape, the rapid expansion of private markets has transformed how firms assess risks within their own client base.

Private equity, private credit, infrastructure, and real estate continue to attract significant investment, but they also introduce increasingly complex ownership structures involving trusts, holding companies, special purpose vehicles (SPVs), and multiple cross-border entities.

For compliance teams, identifying the legal owner of an asset is no longer enough.

Regulators increasingly expect firms to identify the ultimate beneficial owner (UBO), understand who exercises control, verify the source of wealth and funds, and continuously reassess those risks as ownership structures evolve.

Sean Vickers believes private markets have significantly increased the depth of due diligence required.

“Unlike many public market investments, private assets often involve layered legal structures, trusts, holding companies and cross-border ownership arrangements that require significantly deeper investigation,” he says.

As a result, firms are moving away from treating onboarding as a one-off exercise towards maintaining a continuous understanding of ownership and risk throughout the client lifecycle.

Claire Lipworth says this reflects a broader shift in regulatory expectations. “KYC remains foundational,” she notes, “but it is no longer sufficient on its own.”

“As private markets expand, increasingly complex fund structures, and layered ownership chains are placing greater pressure on firms to understand not just their direct clients but the full spectrum of underlying investors and assets.”

This has also accelerated interest in Know Your Asset (KYA), which complements traditional Know Your Customer (KYC) processes by examining the asset itself, its ownership history, and any associated financial crime risks alongside the customer.

Robin Cotterill says the growth of private markets is placing increasing pressure on compliance functions.

“AML teams are being asked to do ever more complex work to ensure that new private asset transactions are cleared from an AML point of view, often without the requisite increase in resources,” he explains.

For asset servicers, the challenge is balancing increasingly detailed due diligence with clients’ expectations for faster onboarding and seamless service. As private markets continue to expand, maintaining that balance is likely to become one of the defining operational challenges facing compliance teams.

Technology meets human judgement

As financial crime obligations continue to grow in both volume and complexity, technology has become indispensable. AI and automation are increasingly being used across sanctions screening, transaction monitoring, customer due diligence, and adverse media searches, helping firms process vast amounts of information more efficiently while reducing false positives and allowing investigators to focus on genuinely higher-risk cases.

Yet contributors consistently stress that technology should enhance — not replace — human expertise.

Adam McLaughlin, director of financial crime product at Fenergo, believes firms are moving beyond simply monitoring transactions to understanding customer behaviour over time.

“What that means is not just simply detecting sanctions breaches,” he informs, “but demonstrating that firms can identify behaviour that is genuinely abnormal or suspicious.”

Analysing behavioural patterns can reveal risks that traditional rules-based monitoring may overlook, from unusual transaction activity to indirect links with sanctioned entities. AI enables firms to process these increasingly complex datasets at scale, but McLaughlin argues that human judgement remains central.

“AI can detect those signs rapidly,” he says, “but it can’t make the final judgement. That still requires human expertise.”

Steve Hyland, strategic adviser at Complia, agrees that AI’s greatest value lies in supporting experienced investigators rather than replacing them.

“It can cover millions and millions of transactions,” he says. “People can’t do that. It’s not manually possible.”

By automating repetitive screening tasks, compliance teams are able to spend more time investigating genuinely complex cases where context and professional judgement are essential.

However, the same technologies are also being adopted by criminals.

Silvija Krupena, director of the Financial Intelligence Unit at RedCompass Labs, warns that AI is enabling increasingly sophisticated forms of financial crime.

“Deepfake video and cloned voices now defeat identity verification. Synthetic identities pass onboarding checks. AI-generated scripts allow a single operator to run multiple social engineering campaigns simultaneously,” she says.

Rather than viewing AML, sanctions, fraud, and cybercrime as separate disciplines, Krupena believes firms must recognise what she describes as “convergence crime”.

“The same jurisdictions, the same layering techniques, and the same intermediary chains appear across every crime type,” she explains.

As both financial institutions and criminals embrace AI, firms will increasingly need to combine technological capability with experienced human oversight to remain effective.

The foundations of effective compliance

While AI continues to attract investment, contributors consistently point to a more fundamental challenge: data.

Incomplete customer records, fragmented ownership information, and inconsistent internal systems can undermine sanctions screening, customer due diligence, and transaction monitoring regardless of how sophisticated the underlying technology may be.

As a result, regulators are placing increasing emphasis not only on controls themselves, but on firms’ ability to demonstrate how decisions are made, how risks are assessed and how governance frameworks operate in practice.

Krupena believes improving data quality should be the industry’s starting point.

“Every financial crime control depends on it,” she adds. “If customer data is fragmented, inconsistent or poorly standardised, then every model, every alert, and every investigation built on top of it is compromised.”

For Vickers, the organisations best placed to respond will be those that integrate policy, process, technology, and data into a single financial crime framework capable of adapting as regulatory expectations evolve.

Ultimately, financial crime compliance is no longer simply about satisfying regulatory requirements. Increasingly, it underpins firms’ ability to respond to geopolitical change, identify emerging risks and maintain operational resilience across the investment lifecycle.

From obligation to operational capability

Although initiatives such as the AMLA promise greater consistency across Europe, the broader direction of travel remains one of increasing complexity. Sanctions will continue to evolve alongside geopolitical developments.

Private markets will become larger and more interconnected.

Criminals will increasingly exploit emerging technologies, while regulators continue demanding greater transparency around ownership, governance, and operational effectiveness.

For asset servicers, compliance can no longer be viewed as a standalone regulatory function. It is becoming embedded across onboarding, custody, fund administration, transfer agency, payments, and client lifecycle management.

Meeting tomorrow’s expectations will require more than keeping pace with new regulations.

Firms must combine robust governance with high-quality data, invest in technology without becoming dependent on it, and recognise that automation and human expertise are complementary rather than competing capabilities.

As Cotterill observes, organisations must first understand the jurisdictions in which they operate before determining the controls they require. In an increasingly interconnected financial system, understanding where risk begins — and where responsibility ends — is becoming progressively more difficult.

Financial crime compliance has evolved beyond a regulatory obligation. For asset servicers, it is becoming a core operational capability — one that increasingly underpins trust, resilience, and confidence across global investment markets. ■

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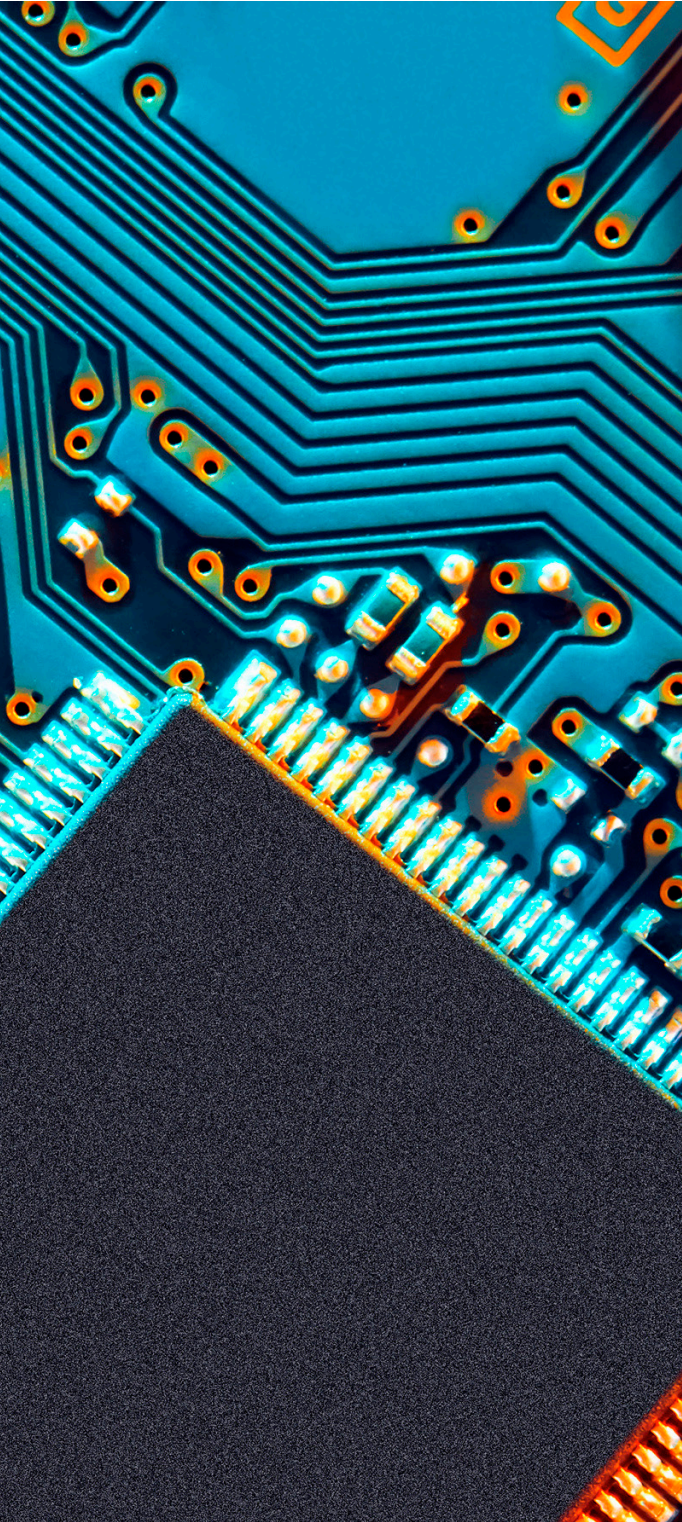
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Can AI really understand corporate actions?

AI is beginning to reshape corporate actions processing, but as firms move from experimentation to production. Can AI be trusted to interpret legally binding issuer announcements while complying with emerging regulation?

Zarah Choudhary reports



Reading between the lines

Few functions within asset servicing remain as dependent on human interpretation as corporate actions. Every dividend, merger, rights issue, tender offer, or bankruptcy begins with an issuer announcement, legal notice, or market communication that must be interpreted before it can be translated into operational instructions. Unlike settlement or reconciliation, corporate actions have resisted full automation because the challenge is not simply processing transactions faster but understanding what they mean.

Issuer announcements arrive in multiple formats across different jurisdictions, while data vendors can interpret the same event differently. Before an instruction reaches a client, operations teams must determine which interpretation is correct.

AI, particularly large language models (LLMs), is beginning to change that. Unlike traditional automation — which relies on predefined rules — generative AI can analyse unstructured documents, extract key information, and summarise complex events in natural language. According to Eurofi, 91 per cent of financial services firms are either assessing AI or already using it in production, with document analysis and knowledge management among the fastest-growing use cases.

Corporate actions, however, present one of AI's toughest tests. A misinterpreted election option or payment date can have immediate financial consequences, meaning firms must balance efficiency with operational control.

Dirk Löscher, head of custody and investor solutions at Clearstream, believes corporate actions are both an ideal use case and one of AI's greatest challenges.

"Corporate actions are a natural fit for AI because the process still depends heavily on interpreting unstructured issuer announcements, agent emails, and legal documentation," he says. "At the same time, that is exactly what makes the area challenging: the data is often complex, market-specific, and not always presented in a consistent format."

While AI can extract and structure information more quickly than traditional workflows, he stresses that "it must operate within strong controls because the economic impact of a wrong interpretation can be material."

That balance between efficiency and control has become the defining theme of AI adoption across corporate actions.

“Complex corporate actions often come with detailed offer documentation, which is not written to a standard and is often perceived differently by an individual”

Adam Cottingham

From proof of concept to production

For several years, AI discussions within financial services centred largely on experimentation. Today, firms are beginning to deploy AI in production, focusing on the most manual parts of the corporate actions lifecycle rather than attempting to automate the entire process.

One of the clearest applications is document interpretation.

Corporate actions teams receive issuer announcements in PDFs, emails, HTML files, and lengthy legal documents that must be converted into structured operational data. Traditionally, this required analysts to manually identify key dates, election options, and event conditions before processing could begin.

According to Adam Cottingham, product manager for corporate actions at SmartStream, AI is proving particularly effective at bridging the gap between unstructured documentation and structured workflows.

“Complex corporate actions often come with detailed offer documentation, which is not written to a standard and is often perceived differently by an individual,” he explains.

“AI provides the ability to move unstructured data to a structured transformation, providing evidence on the lineage at scale, extracting the pertinent information, and removing the noise.”

Rather than replacing existing automation, AI is becoming an interpretation layer that sits above deterministic processing.

Rules continue to govern entitlement calculations and validations, while AI focuses on understanding documents that previously required manual review.

Löscher describes this as moving workflows “from manual reading, interpretation and re-keying towards assisted extraction, classification, and preparation of structured event data”.

“The objective is not to remove controls, but to reduce manual effort, improve consistency, and increase operational resilience before an event reaches the validation stage,” he informs.

Both firms are now seeing these capabilities move beyond proof of concept.

Clearstream has launched projects to automate asset servicing events, beginning with voluntary repurchase offers before expanding into additional event types.

“This is not AI for its own sake,” notes Löscher. “It is targeted automation of a real operational pain point.”

SmartStream, meanwhile, is using AI to review narrative documentation, summarise event descriptions, and identify conditional language hidden within lengthy issuer announcements. These capabilities remain paired with human validation, allowing operations teams to focus less on locating information and more on verifying it.

AI is also beginning to reshape workflow management. Rather than processing every event in arrival order, firms can prioritise work based on confidence levels and operational risk.

“AI gives the ability to move from deterministic classification to learned, probabilistic classification,” comments Cottingham, “focusing the user on the most important tasks.”

When complexity wins

While AI performs well on routine events, its limitations become clearer as corporate actions grow more complex. Bankruptcies, tender offers, mergers, and restructurings often involve hundreds of pages of legal documentation, multiple election options and evolving terms. Operations teams must not only extract information but interpret legal language, understand market practice, and ensure operational instructions accurately reflect an issuer’s intentions.

Here, AI acts as an assistant rather than a decision-maker.

“Rules-based automation performs well when the input is stable and structured,” observes Löscher. “Corporate actions rarely offer that luxury.”

Instead, he believes AI works best as an interpretation layer, combining document analysis with deterministic validation, and operational review.

Cottingham agrees, arguing that AI’s greatest value lies in accelerating understanding rather than replacing judgement.

“AI can realistically support these events, but the value clusters on the information side, and the trust boundary runs between helping an operational user think and being allowed to decide.”

AI can assemble information from lengthy merger agreements, summarise restructuring documents, compare amended announcements, and identify changes to election deadlines far more quickly than manual review.

“The single biggest benefit,” he adds, “is AI as a reading accelerator.”

However, entitlement calculations, proration methodologies, and election decisions remain deterministic processes that continue to require rules engines and human oversight.

As Löscher concludes: “The right model is not blind automation; it is controlled augmentation.”

The human in the loop

While AI is becoming increasingly capable of interpreting corporate actions, technology providers agree that it should remain accountable to human expertise.

Rather than replacing operations teams, AI is reshaping their role. Historically, specialists spent much of their time reading lengthy documents, comparing vendor feeds, and validating routine events. As AI absorbs these repetitive tasks, operations professionals are increasingly focusing on supervision, exception management, and quality assurance.

Löscher expects that trend to continue.

“Corporate actions processing takes place in a control-heavy environment, and users must be able to understand why a data point was extracted”

Dirk Löscher

“In the near term, AI should primarily act as an assistant to operations teams: extracting information, preparing event data, reducing repetitive work, and surfacing exceptions,” he predicts. “Over time, more deterministic parts of the workflow may become highly automated, but decision making in complex or judgement-based scenarios should remain under human oversight.”

Cottingham shares that view, arguing that operations teams are moving “from the doing to supervising”, with expertise shifting towards ambiguous events, complex terms, and fiduciary decisions. While AI can accelerate document analysis, accountability, judgement, and oversight remain inherently human responsibilities.

That human oversight is closely linked to one of the industry’s biggest concerns — explainability.

Unlike traditional rules-based automation, LLMs can reach conclusions without clearly showing how they arrived there. For corporate actions — where every decision must be auditable — that creates an obvious challenge.

“Corporate actions processing takes place in a control-heavy environment, and users must be able to understand why a data point was extracted, where it came from and how it was transformed,” informs Löscher. For Clearstream, trusted AI requires visible lifecycle tracking, validation, regression testing, and clear ownership.

Cottingham agrees that transparency determines whether AI delivers genuine efficiency.

“Regulation will raise the bar, but that is not necessarily a negative”

Dirk Löscher

“Being able to see why the AI produced a value and trace it to a source is what lets a reviewer validate an output in seconds instead of re-deriving it,” he says. “Without this, AI merely relocates the manual re-checking rather than removing it.”

As a result, firms are increasingly combining AI with confidence scoring, audit trails, and human approval workflows. Rather than replacing operations professionals, AI is becoming another participant in the workflow — one whose outputs are reviewed, measured, and continuously refined.

The future role of operations is therefore shifting from processing information to governing how intelligent systems interpret it.

Trust by design

As AI moves into production, the conversation is shifting from capability to governance. Financial institutions are increasingly focused not only on what AI can do, but on whether it can be deployed in a way that is transparent, explainable, and accountable.

That discussion has gained momentum with the introduction of the European Union’s AI Act. Although most AI applications used in corporate actions are unlikely to fall within the legislation’s high-risk category, the Act reinforces principles such as human oversight, transparency, and documentation that firms are already building into their AI strategies.

Cottingham believes the regulation will encourage confidence rather than hinder innovation.

“Most asset-servicing AI sits outside the high-risk regime,” he notes. “The EU AI Act is likely to prove less restrictive than feared and more useful than expected.”

He argues that the legislation helps move organisations from questioning whether AI can be trusted to establishing governance that allows firms to “sign off on it”.

Löscher also sees regulation as an enabler rather than an obstacle.

“Regulation will raise the bar, but that is not necessarily a negative,” he states. “In asset servicing, trust is built through governance, controls, transparency, and accountability.”

He expects the AI Act to encourage more disciplined model design, testing, monitoring, and documentation. “That may slow down superficial adoption, but it should accelerate sustainable adoption where AI is deployed with the right safeguards.”

Ultimately, firms recognise that confidence in AI cannot rest solely on accurate outputs. Models must be consistently explainable, auditable, and supported by clear accountability. In that sense, successful AI adoption is becoming as much an exercise in governance as it is in technology.

Better AI starts with better data

While generative AI is transforming how firms process unstructured information, its effectiveness still depends on the quality of the underlying data.

Corporate actions have long been plagued by fragmented information, with issuer announcements arriving in different formats and multiple vendors often interpreting the same event differently. AI can help identify inconsistencies more quickly, but it cannot resolve poor-quality data on its own.

“AI can help identify inconsistencies, missing fields, and unusual data patterns earlier in the lifecycle,” says Löscher. “But it does not magically solve data quality. The value comes from making uncertainty visible: flagging gaps, preparing structured outputs, and routing exceptions to the right operational experts for validation.”

Cottingham agrees, arguing that AI is particularly effective at detecting discrepancies by comparing multiple sources

simultaneously. However, he cautions against assuming AI-generated outputs are automatically more accurate.

“AI’s risk in this process is not dirty or incomplete data,” he explains. “It is making incorrect data look clean.”

For both firms, AI reinforces the importance of industry standardisation rather than replacing it. Initiatives such as ISO 20022 and broader efforts to create structured, machine-readable corporate actions data will reduce the amount of interpretation required before information reaches downstream systems.

Löscher believes AI’s greatest contribution may be exposing weaknesses that have always existed. “If the market succeeds in establishing the CSD as the central starting point of a high-quality data flow, AI can help convert that information into structured, machine-readable data at scale.”

Ultimately, AI is proving to be as much a mirror as a solution. Rather than fixing fragmented data, it is highlighting where better standardisation and digitalisation are still needed — making data quality, rather than AI capability, the industry’s biggest determinant of success.

Beyond automation

For decades, the corporate actions industry has pursued greater automation.

Straight-through processing (STP) reduced manual intervention. Standard messaging formats improved interoperability. Workflow technologies increased operational efficiency.

AI represents the next stage of that evolution — but not because it replaces people.

Its significance lies in addressing something previous technologies could not: interpreting information before it becomes structured data.

The technology is already demonstrating measurable value.

It is reducing the time required to analyse complex documentation, highlighting discrepancies between information sources, prioritising operational exceptions, and allowing specialists to concentrate on the events that genuinely require experience and judgement.

“AI’s risk in this process is not dirty or incomplete data, it is making incorrect data look clean”

Adam Cottingham

At the same time, the industry’s early deployments reveal equally clear boundaries.

Corporate actions remain rooted in legal interpretation, operational accountability, and fiduciary responsibility.

Those are areas where transparency, explainability, and human oversight are likely to remain essential, regardless of how sophisticated AI becomes.

Perhaps the biggest shift, then, is not technological but cultural.

Operations teams are evolving from processors into supervisors. Their expertise is becoming less about manually extracting information and more about validating intelligent workflows, governing AI models and managing exceptions.

The question facing the industry is therefore no longer whether AI can process corporate actions.

In many respects, it already can.

The more important question is whether firms can build sufficient trust — in their data, their governance frameworks, and their operational controls — to allow AI to become a genuine partner in one of asset servicing’s most complex and consequential functions.

For an industry built on accuracy, accountability, and confidence, that may prove the most important corporate action of all. ■

Sanctions compliance converges with ESG

Tahlia Kraefft explores how sanctions compliance is progressively changing past being solely a regulatory requirement and becoming embedded as an informal component of the governance pillar of ESG





From traditional to geopolitical ESG

Russia's invasion of Ukraine in 2022 altered how financial institutions consider non-financial risk.

The conflict forced institutional investors and regulators to review designated entities and country risk beyond legal compliance as measurements of corporate governance and financial resilience.

Regulators in various jurisdictions swiftly responded to the invasion with an expansion of sanctions, asset freezes, limitations imposed on securities, and expulsion of financial organisations from global markets.

Quickly this led to frozen assets, Russian securities becoming untradeable, settlement collapse, counterparty risk, and upended regulatory obligations.

The disciplinary measures aimed at Russia and Belarus, demonstrated how the effects of geopolitical events can quickly ripple across investment operations, custody, asset servicing, and fund administration. Furthermore, it highlighted how adequate sanctions can be a measurement of operational resilience and responsible business administration.

Environmental, social, and governance (ESG) frameworks have converged with sanctions compliance and geopolitical risk, moving corporate metrics from voluntary sustainability frameworks into legal obligations.

Adverse impacts on operations, valuations, and investor returns from these geopolitical risks have moved investors, regulators, and clients to require firms to show strong sanctions compliance along with conventional governance controls.

The governance agenda of ESG has broadened to encompass a framework for assessing geopolitical and sanctions exposure, with country risk being treated under this pillar, illustrating a development in how systematic risk is managed.

James Ford, a counsel at A&O Shearman says the conversation around ESG has materially expanded, from being primarily treated through scope of climate, diversity, human rights and board governance: "Today, companies and investors alike overlay several other risks that often speak to a company's licence to operate under the ESG umbrella including navigating geopolitical risk, conflicts of law and blocking statutes, sanctions, export controls, forced labour concerns in supply chains,

“Historically sanctions were treated principally as a regulatory compliance concern compared to a driver of investment strategy”

Antoine Pertriaux

Country risk factors have been a related consideration for a long time when finding and assessing supply chain risks especially in connection to bribery and corruption, sanctions and human rights concerns, he notes.

“Country risk considerations have become more nuanced as the regulatory landscape has become increasingly complex. For example, the current focus of UK, EU and US regulators on sanctions circumvention has increased the risks associated with doing business with certain countries in Central Asia”

He says many multinational companies are progressively taking a holistic approach to enterprise risk management: “Ten years ago, a company might have had a standalone programme for the management of anti-bribery and corruption, anti-money laundering, sanctions and environmental risks. Today, large multinationals typically incorporate consideration of these risks – and more – in their enterprise third party risk management programmes, including in relation to the onboarding of business partners and the review of high-risk suppliers.”

Sanctions no longer limited to compliance concerns

Sanctions compliance is falling into the ESG conversation due to its inseparable tie to the governance and social (S) components of ESG. It is being treated more and more adjacent to ESG and wider sustainability risk management. Firms can be exposed to significant regulatory fines and reputational harm if they neglect screening for sanctioned entities and are at risk of

breaching anti-corruption, ethical business practices, and human right ethics. Modern corporate governance requires boards to supervise sanctions risk, to guarantee organisations are adhering to its legal and ethical responsibilities. Treating sanctions compliance as part of the wider Enterprise Risk Management (ERM) enables firms to approach geopolitical threats as key business risks compared to disconnected operational concerns. Sanctions and financial crime laws are developing along with sustainability requirements, obliging firms to adhere to local and global legal guidelines such as the UK Corporate Governance Code or EU requirements. Sanctions have moved past being only a compliance matter to become proof of effective corporate governance. Investors increasingly view geopolitical resilience as financially material.

Historically sanctions were treated principally as a regulatory compliance concern compared to a driver of investment strategy, according to Antoine Pertriaux, director of risk and compliance at Protiviti. He says this was primarily due to the sanctions landscape being relatively stable and high-jurisdictions well understood industry-wide. Due to growing geopolitical fragmentation and uncertainty this assumption no longer holds.

“Sanctions and geopolitical developments have a direct impact on asset valuations, liquidity, exit opportunities, and overall portfolio resilience. For investors, the question is no longer simply whether an investment complies with today’s sanctions, but whether it will remain investable if the geopolitical landscape changes tomorrow.

“It has become much more than a pure compliance issue. The Russia-Ukraine conflict accelerated this shift. It showed that even a major G20 economy could become largely inaccessible to investors, with securities effectively becoming untradeable almost overnight.”

Sanctions and country risk were viewed largely as a compliance issue only three or four years ago Nitesh Patel, TMF Group’s business development director for Funds, comments.

This meant it was normal for it to purely involve a screening exercise during onboarding, followed by just a periodic review.

Patel explains that given the pace and reach of sanctions regimes once static compliance checks are no longer adequate.

Regimes are now amended monthly, sometimes weekly and the coverage has expanded beyond named individuals and entities, he says.

Jurisdictional corridors, ownership structures, and even categories of counterparty behaviour such as shadow fleets, crypto settlement rails, and third-country circumvention are now included.

He says this is a fundamentally different risk profile than a more traditional static blacklist.

“This explains why country and sanctions exposure are increasingly seen as a governance matter. If a fund’s exposure to a jurisdiction or counterparty can change between quarterly reporting cycles, then the question stops being ‘did we screen at onboarding?’ and becomes ‘does our governance framework have the monitoring cadence and escalation authority to catch and respond to that change in real time?’”

“That’s a board and general partner-level accountability question, not just a back office compliance one. Investors are asking GPs directly how sanctions and geopolitical risk are governed at the fund level. That is, who owns it, how often it’s reviewed and what the escalation path looks like, in the same way they’d ask about conflicts of interest or valuation governance.”

Sanctions risk a core part of geopolitical risk management

Recent sanctions regimes, directed at Russia and Belarus, have demanded the asset servicing sector to modernise its supervision of due diligence, asset freezing, and supply chain tracing. Regulatory authorities have escalated their enforcement targeting illicit trade in Russia and Belarus, especially the ‘shadow fleet’ of tankers employed to avoid oil price caps to affect the financing and servicing of these networks. Wide restrictions have been imposed on providing trust services, investment guidance, and associated corporate facilities to designated Russian entities. The UK government implemented stringent end-use controls enabling the government to bar valid transactions if they pose a threat to disrupting the efficiency of current sanctions. These string of sanctions directed at Russia and Belarus illustrated how fast firms can be deprived access to markets and assets.

Companies that conduct business in sanctioned or high-risk jurisdictions, regions in the midst of conflict or geopolitical tensions, experience regulatory risk, operational disturbance, reputational loss, and potential barring from investment portfolios. Now investors require information on firms that have revenue exposure to designated nations, along with the extent that supply

“Geopolitical funds remain marginal, while European autonomy funds often express these concerns through supply-chain resilience, defence, infrastructure, energy security and industrial self-sufficiency”

Ralph Williams

chains are reliant on politically sensitive jurisdictions, and if future sanctions could impact asset values.

Sanctions risk is evidently becoming more material as part of wider geopolitical and portfolio risk assessments, according to Ralph Williams, director of EMEA Insights at Broadridge. However, sanctions risk will not become a typical component of ESG in a similar way environmental or governance metrics have become standardised, he says. Sanctions are less being absorbed into ESG due diligence, but sanctions exposure is becoming one factor within a broader risk framework that also encompasses tariffs, less predictable policymaking, supply-chain resilience, and wider geopolitical instability.

On the investment side the response has been more visible through regional and thematic allocation, than through explicit sanctions-focused products or changes in ESG strategies, he comments.

“We are seeing a greater regional divide, with more interest in areas such as emerging market ex-China, global ex-US funds, European equity, and European autonomy strategies. But there is little evidence yet of a large, explicit “sanctions risk” allocation category.

“Geopolitical funds remain marginal, while European autonomy funds often express these concerns through supply-chain resilience, defence, infrastructure, energy security and industrial self-sufficiency.”

Williams emphasises that sanctions risk is becoming increasingly important and more material, but not necessarily as ESG.

“ESG, anti-money laundering/sanctions, and financial crime due diligence are converging into a single due discipline”

Nitesh Patel

“It is becoming part of mainstream geopolitical risk management and asset-allocation decision-making.”

ESG, anti-money laundering (AML)/sanctions, and financial crime due diligence are converging into a single due discipline, particularly around beneficial ownership, supply chains, and counterparty screening, Patel explains, rather than sanctions becoming a part of ESG.

“For institutional investors and fund managers, this adds operational requirements around look-through ownership screening on investors and portfolio companies, geographic concentration and country-risk scoring as part of investment committee papers.”

Enhanced due diligence triggers linked to certain jurisdictions or transaction types are also added, he notes.

“It’s becoming material because sanctions exposure can crystallise a loss, a liquidity problem, or a reputational event that can occur on short notice”

According to Pertriaux, geopolitical risk and sanctions are emerging as core investment risks that sit alongside ESG and increasingly interact with it, rather than becoming a fourth pillar of ESG.

“Where the convergence happens is in governance. Investors increasingly expect boards and management to identify, oversee, and manage geopolitical and sanctions exposure as part of good corporate governance. The question is no longer simply whether a

company complies with sanctions today, but whether it is resilient in an increasingly fragmented geopolitical environment.”

Ford comments that multinational organisations have always been obliged to comply with applicable sanctions especially because of their stringent liability nature in specific jurisdictions such as the UK and US.

“Multinational organisations have always had obligations to ensure compliance with applicable sanctions, including because of their strict liability nature in certain jurisdictions, for example the UK and US.”

He says a sanctions risk assessment of a counterparty’s ownership and control structure and of certain transactions or business dealings has progressively been incorporated into a wider ESG or third-party due diligence framework.

“Where activities are clearly prohibited by applicable sanctions, an investment decision is relatively straightforward. The more interesting question is where investors are contemplating activities that are permissible under sanctions today, but that are in jurisdictions and/or sectors that generally face heightened sanctions risk in future.

“In that respect, one observation is that companies are increasingly incorporating more robust contractual protections to afford certain rights in the event that sanctions issues arise in the future.

Ford explains that an additional factor that may affect investment decision-making in practice is that investors may have made sanctions-related representations and undertakings to third parties such as banks and insurers, that impact an investment independent of the regulatory stance.

A shifting sanctions landscape

Geopolitical shocks have the potential to rapidly reshape a nation’s investment profile through means such as sanctions and capital controls, resources inaccessibility, and fiscal drain. Embargos and asset freezes fast limit liquidity, bar international debt payments, and push abrupt currency devaluations.

Conflicts disturb commodity supply chains such as energy and agriculture, and lower a country’s export capabilities and environment measurements. Furthermore war costs and localised

instability result in governments moving funding from longer sustainability goals to manage immediate debt crises, essentially altering their ESG profile.

The sanctions landscape is continually changing, Ford explains. The dramatic increase in Western sanctions targeting Russia, from 2022 has presented new challenges on a daily basis.

“More recently, the rise in countersanctions measures — for example in Russia and China — coupled with unilateral changes in approach by the United States under certain regimes — e.g. Iran and Cuba — have created different challenges for international businesses that may find themselves stuck between a rock and a hard place, as they may be required to comply with multiple conflicting sanctions regimes.”

In practice this could be more acute, he says, where an asset servicer is obliged to comply with divergent sanctions regimes compared with the investee companies in the portfolios they handle.

“To manage these risks, asset servicers should seek to review and assess the scope and effectiveness of their existing sanctions compliance programme, including reviewing their existing sanctions screening processes, ensuring that compliance with key US, EU, and UK sanction regimes is adopted as a baseline and ensuring that there are effective escalation processes in place in the event sanctions red flags emerge in respect of an investee company.

Asset managers are at the forefront of these challenges, more than asset servicers, Pertriaux notes. It is no longer adequate for firms to screen names against sanctions lists, they must also analyse ownership structures and business activities on a continuous basis to identify potential direct or indirect exposure to existing and future sanctions, and assess the resilience of their portfolios.

“As a result, investment guidelines teams are taking on a more strategic role. They work closely with portfolio managers, compliance, and risk teams to translate evolving geopolitical developments and sanctions regimes into actionable investment restrictions and client-specific guidelines.”

Patel says the requirement to screen the right layer continuously is a challenge, from their perspective in administering funds and their underlying structures. It is no longer adequate to screen the fund’s direct limited partners (LPs) at subscription.

“The rise in countersanctions measures, coupled with unilateral changes in approach by the US under certain regimes, has created different challenges for international businesses that may find themselves stuck between a rock and a hard place”

James Ford

Regimes obligate increasingly look-through to beneficial owners and to counterparties and jurisdictional corridors that weren’t in scope previously. It requires ongoing screening across multiple layers of ownership.

Keeping pace with the update cycle is an additional hurdle, as sanctions list and designations are frequently changing across the US, UK, EU, and other regimes simultaneously, Patel comments.

They do not always align, as a counterparty can be sanctioned in one regime and not another, and sanctions can be applied extraterritorially. “To deal with this, administrators need screening technology and processes that update continuously and can reconcile divergent regimes rather than a single static list.”

Valuing and reporting on frozen or restricted assets is an added obstacle, Patel continues: “When an asset becomes subject to sanctions, there are real operational questions. For example, how is it valued, how is it disclosed to investors, how are distributions or capital calls handled if funds are frozen mid-cycle? This is squarely an administrator and depositary responsibility, and it’s a much harder problem than standard valuation policy anticipates.”

Lastly, he remarks that cross-border data and reporting consistency poses a challenge as global managers running funds across multiple domiciles demand consistent sanctions and country-risk reporting across those structures.

He says this is more difficult than it sounds when local regulatory interpretations differ.

“Customers are progressively demanding transparency, requiring asset servicers to demonstrate strong controls along with analytics and tools that provide visibility into geopolitical exposure”

Growing client expectations

Customers are progressively demanding transparency, requiring asset servicers to demonstrate strong controls along with analytics and tools that provide visibility into geopolitical exposure. Institutional investors and increasingly, their own regulators and boards are requesting real-time or near-real-time visibility as opposed to one-off assurances, Patel remarks. A sanctions attestation at onboarding and an annual compliance certification was adequate a few years ago.

“Now, LPs want to know the cadence of ongoing screening, how quickly a new designation would be identified and escalated, and what the fund’s actual exposure looks like today, not at the last reporting date.”

Additionally there is a transparency expectation shift with investors demanding country and counterparty risk broken out explicitly in reporting, compared to just folded into a generic risk narrative. He says this is driving administrators and managers toward more granular, more regular and more auditable reporting.

“This means, essentially, treating sanctions and geopolitical exposure with the same rigour as liquidity or concentration risk reporting.”

Clients more and more expect their asset managers to actively monitor geopolitical risk, Pertriaux, states. “They are asking for forward-looking geopolitical risk indicators, country risk analysis, and continuous monitoring rather than periodic or annual reviews. The question is no longer simply, ‘are we compliant?’, it’s ‘what emerging risks could affect my portfolio tomorrow?’”

Client expectations are clearly rising according to Williams. Risk management as a fund selection criterion is up around five percentage points since 2023 among European fund buyers Broadridge interviewed, he says, being mentioned by a quarter of interviewees in Q1 2026. Also information provision, reporting and transparency has risen as a criterion in recent quarters to match risk management at around 25 per cent, although it is still below the previous (ESG-linked) peak he notes.

“What stands out is that reporting and transparency remains the number one area selectors want managers to improve, mentioned in 36 percent of interviews as a top improvement need. Geopolitical events have accelerated this: clients want managers to explain exposures quickly, clearly and in context, not just after the fact.”

Ford says clients are more and more looking at how they can engage technological tools to assist continuous risk monitoring including carrying out real-time monitoring to flag relevant updates to sanctions list and adverse media lists in respect of counterparties.

“In parallel, regulators have heightened expectations of companies to proactively manage sanctions-related risks and to have in place an increasingly sophisticated sanctions compliance programme.”

A strategic investment risk

Investors need to treat geopolitical risk as a strategic investment risk rather than purely a compliance issue, and change from point-in-time due diligence to ongoing monitoring of their exposures, Pertriaux notes.

“Many institutional investors have already started to make this shift, integrating geopolitical risk into their investment decision-making to varying degrees. The challenge now is to make that approach more consistent, proactive, and embedded across the investment process.”

Patel says from an operational vantage point of view some strategies for institutional investors enhancing how they treat geopolitical and sanctions risk including building continuous monitoring into governance, instead of solely compliance, and viewing sanctions and country risk exposure as a standing agenda item for investment committees and boards, rather than a once-a-year compliance sign-off.

Furthermore investors should ask for look-through, not headline-level screening from managers and administrators, as headline entity screening misses a lot of the risk that is now positioned in ownership structures and third-country intermediaries. He suggests scenario-planning for the “trapped asset” problem, not just the “prohibited counterparty” issue.

He remarks: “A lot of investor attention still goes to avoiding sanctioned entities upfront, but less goes to what happens operationally if an existing holding becomes restricted mid-life.”

Finally he recommends request jurisdictional diversification in service providers, not just in the portfolio: “If your administrator, custodian or depositary has concentrated operational exposure to a single jurisdiction under geopolitical strain, that’s a supply-chain risk to your own fund operations.”

Ford says institutional investors should explore revamping their playbooks for different geopolitical scenarios: “Following the rapid expansion of sanctions targeting Russia from February 2022 onwards, some investors have sought to reduce their exposure to Russia in their investment decisions while others have developed playbooks relating to China in the event of a conflict emerging between China and Taiwan.”

Sanctions regimes posing high risk

Engaging in activities involving Russia continues to be challenging due to the breadth of individuals and companies designated as targets of US, EU, and UK sanctions, Ford notes. Operating in sectors in the Soviet Union that are subject to extensive restrictions such as finance, oil, gas, and defence poses high risk. China is another complex jurisdiction for Western companies to manage, Ford explains, especially in technology and heavy industry: “On the one hand, there has been a significant expansion of US export controls targeting China, which can have implications for corporates and investors alike; on the other hand, China has in place countersanctions measures that preclude certain businesses operating in China from complying with certain Western sanctions, which can leave companies stuck between a rock and a hard place where compliance with one set of laws will result in a breach of countersanctions measures.” Ford adds the sanction regimes most impacting asset servicers depends on which jurisdictions they operate.

Country-specific sanctions remain the most operationally complex, according to Patel. He says this is due to the volume and pace

“The sanctions imposed on Russia since its 2022 invasion of Ukraine upended the expectations of governance throughout the financial industry”

of designations across the US, UK and EU, and with enforcement moving decisively toward third-country intermediaries and circumvention networks.

“Central Asian and Caucasus jurisdictions, parts of the Gulf, and certain regional Chinese and Southeast Asian financial institutions have all been flagged by regulators as elevated-risk corridors for circumvention, even though they aren’t sanctioned jurisdictions themselves. The broader trend is the extraterritorial reach of sanctions regimes, which means that asset servicers with global books of business need to think about exposure well beyond their own domicile’s sanctions list.”

The increasing use of crypto and virtual asset rails for sanctions evasion is forcing asset servicers into a due diligence area for digital asset settlement infrastructure. Although quite far from traditional fund administration competency, it is increasingly relevant, Patel notes.

Conclusion

The sanctions imposed on Russia since its 2022 invasion of Ukraine upended the expectations of governance throughout the financial industry. With geopolitical risks further shaping international markets, sanction compliance is more and more seen as a quantitative measurement of robust ESG governance. It indicates an organisation’s capability to oversee risk, maintain market integrity, and safeguard clients. In this context, asset servicers have assumed a role as key gatekeepers for legal compliance, operational resilience, and responsible conduct. ■

Expanding FDI regulations are reshaping asset servicing

As governments move to increase supervision of foreign capital, in the second part of this two part series, Tahlia Kraefft explores how custodians are becoming key conjoining tissue in a less unified global financial ecosystem with stricter oversight



New drivers of global capital

Tighter foreign direct investment (FDI) screening and economic security reviews have developed from a deal risk consideration to a major strategic factor for investors and boards. The FDI ecosystem is being moulded by drivers such as tariff volatility and industrial policy, causing capital to re-price supply chain, inputs, and market access. Global capital has moved away from pure cost-efficiency to geopolitical resilience, supply chain nearshoring, and strategic autonomy. Furthermore, multinational firms are prioritising resilience over efficiency, opting to pay more to guarantee availability, and scalability in supply chains. Capital is circumventing conventional hubs to move largely into markets emerging as hotspots including India and Brazil. The US and China have seen a reversal in roles with China changing from being a significant FDI recipient to a large capital exporter, while in the US, inbound FDI has surged to 41 per cent of entire cross-border investment projects.

Regulations such as the US Committee on Foreign Investment in the United States (CFIUS) and the UK National Security and Investment Act 2021 (NSIA) are expanding in scope to incorporate early-stage technology, critical mineral, and data governance. Europe and related jurisdictions are subject to a more rigorous economic lens where strategic autonomy, resilience, and defence readiness progressively impact how transactions are evaluated and conditioned. The EU has moved to strengthen its guidelines through revised regulations and Cyprus has shifted to enforce stringent new national FDI laws to scrutinise transactions. Major jurisdictions are no longer focused on inbound controls, they are increasingly regulating outbound investments to avert core technology leaks. Despite regulation converging around national security concerns, implementation is continuing to be very fragmented. While global capital is being met with substantially greater regulatory friction it remains mobile.

Operational challenges of expanded regimes

FDI screening has majorly transitioned in the last five years. From a relatively peripheral closing formality, it is now a real deal-risk factor that is remodeling how cross-border capital is structured and deployed, according to Christine Graham, partner at Bryan Cave Leighton Paisner in the global Antitrust and International Trade Team.

“Many regimes now capture not only outright acquisitions but also minority investments — in some jurisdictions at thresholds as low

as 10 per cent. Consequently, we are seeing far greater emphasis on early-stage FDI risk mapping, more careful calibration of stake sizes, and in some cases the deliberate exclusion of investors from sensitive jurisdictions at the fund formation stage. On timelines, these are absolutely affecting investment decisions.”

Graham explains that formal review periods can appear manageable on paper: “30 days here, 45 days there — but in practice, a complex transaction requiring parallel clearances across the US, UK, Germany, and Australia can realistically take anywhere from 6 to 18 months from signing to close, depending on the sensitivity of the target’s activities and the level of control being acquired by the investor.

The timeline pressure is compounded by authorities often pausing their review clock while pending written responses to information requests, Graham notes. This can put additional weeks or months on an already extended process.

Tom Platts, partner at Stephenson Harwood explains that the screening timelines and crucially the uncertainty as to both timing and outcomes, can be very off-putting for investors. He notes: “The need to factor in FDI clearance timelines alongside antitrust and other regulatory approvals is now a standard feature of transaction planning and can materially affect deal structuring and execution.

“Where screening outcomes are genuinely uncertain, particularly for investors from or affiliated with countries deemed to pose higher risk or in strategically sensitive sectors, such as defence or critical infrastructure, we have seen a reluctance to pursue certain cross-border transactions — and in some cases a dampening effect on cross-border fund flows more generally.”

Investors may also try to structure investments to fall below mandatory notification thresholds, Platts comments.

“However, certain FDI authorities have very broad notification thresholds and wide discretion on using their call-in powers, which may prevent parties from structuring a transaction to avoid having to comply with a mandatory filing requirement.

“It is therefore now increasingly important to understand from the outset which regulatory filings will be required, as well as whether a transaction would give rise to any substantive regulatory concerns, in order to assess the likely timeline, risk profile and the overall viability of a deal before committing significant time and resources to a potential transaction.

Chris Rowland, executive vice president and head of Custody, Digital and Fund Services Product, at State Street notes:

“Cross-border transactions now need to be planned through a geopolitical lens, as filing requirements, review timelines and ownership sensitivities can directly affect deal execution and market-entry strategy.

“For global investors, regulatory certainty is becoming a competitive advantage. Predictable markets may increasingly attract capital, even where they are not the lowest-cost option.”

The major rise in FDI screening regimes over the past few years has inevitably led to delays to transaction timetables for cross-border transactions, Platts explains. The accompanying uncertainty resulting from extra regulatory hurdles is undoubtedly an extra consideration for parties in their deal timelines.

The proliferation of FDI regimes has had an obvious effect on cross-border investments in regards to timing and overall deal certainty, he says. “In practice, delays in even accepting notifications as complete are becoming increasingly common, and if the authorities request further information, this will extend the timetable further.

“Requests for additional information can significantly prolong review periods, with knock-on effects for financing arrangements and overall transaction costs. Any delay is likely to impact any financing, as well as increasing transaction costs.

“FDI regimes are by nature opaque in their decision-making, which creates uncertainty around timing to clearance and the likelihood of intervention, and contributes to longer and less predictable timelines.

Reshaping Investment patterns

The broadening of FDI regimes is leading to the concentration of cross-border capital and greenfield FDI among nations with shared geopolitical alignments. Meanwhile capital allocation is majorly limited between geopolitical competitors leading to majorly diminished investments in politically rivalled regions.

Rigid screening laws such as the expanded EU FDI Screening Regulation majorly limits foreign capital in sensitive areas such as critical minerals, semi conductors, and AI. This is leading to the isolation of innovative networks and prevents technological overflow across economic blocs.

Additionally, the International Monetary Fund says a rise in geopolitical tensions can lessen bilateral cross-border portfolio and bank allocations majorly. The trend of nearshoring mostly impacts developing countries who are significantly dependent on external finance and knowledge transfer. Furthermore, added deal clearance complexity, with national discretion over national security enabling various countries to engage in diverging scrutiny criteria results in lengthened timelines and increased transaction expenses for multinational firms. Consequentially more stringent FDI controls are remodeling global investment flows, pushing capital away from critical infrastructure and sensitive technology sectors towards highly compliant markets, while lengthening timelines and enhancing transaction complexity.

Marta Garcia, partner at Stephenson Harwood comments that the rising complexity and irregularity of FDI regimes in specific jurisdictions is demanding asset managers to evaluate regulatory risk alongside traditional investment criteria such as return potential and market access.

“There is a shift in how exposure is being allocated and managed and asset managers are increasingly differentiating between ‘FDI-light’ and ‘FDI-heavy’ jurisdictions when sizing positions, structuring funds, and selecting co-investors, especially for state-owned entities.”

This effect is more obvious on Chinese-linked investment into Western economies and conversely on Western investment into China, Garcia notes.

“Jurisdictions that combine clear statutory tests, predictable timelines, and a track record of reasoned decisions are particularly preferred, and on the other hand, asset managers are more selective in markets where review might be more opaque, politically directed, or where conditions imposed at clearance are harder to anticipate.”

Despite this, Garcia explains this does not necessarily reflect a shift away from regulated markets, “Rather, investors are increasingly favouring jurisdictions where regulatory risks are transparent, outcomes are predictable, and execution certainty can be achieved.

Graham says: “Asset managers are increasingly alive to the expansive reach of FDI screening regimes and will typically address that exposure through carefully negotiated protections in the transactional documents, including through long stop dates,

‘hell or high water’ clauses, warranties, and reverse break fees, amongst other mechanisms.”

According to Graham, this particularly occurs when the target is involved in sensitive cross-border activities or functions within sectors that attract heightened regulatory scrutiny.

The nature of the investor concern has shifted more recently, Graham notes: “Historically, FDI risk was viewed primarily through the lens of Chinese or Russian ownership - the assumption being that scrutiny was directed at a relatively defined category of investor. That assumption no longer holds.

“In light of current geopolitical developments, we are seeing investors ask much more searching questions about whether a jurisdiction that was previously considered a reliable partner might take a less predictable approach to reviewing a particular transaction. What may have been approved with conditions five years ago, may not be the case today.”

Rowland remarks: “More broadly, we are seeing a shift from efficiency-first globalisation towards resilience-first investing, with clients reassessing concentration risk, provider dependency, and exposure to sensitive jurisdictions.”

Custodians redesigning fund servicing models

Stricter FDI regimes are obliging custodians to enact enhanced look-through abilities, establish automated cross-border compliance screening tools, and carry out Ultimate Beneficial Ownership Tracing (UBO) to handle transaction risk across more than 100 jurisdictions.

Platts comments: “The proliferation of FDI screening regimes, requirement for increasingly stringent regulatory compliance (with greater transparency and accountability), ever-increasing cyber security vulnerability, the general trend towards digitalisation and automation, and the emergence of new digital asset classes, has meant that custodians have had to fundamentally redesign fund servicing models in many respects.”

According to Platts, custodians are investing more and more in improved screening capabilities, pre-trade due diligence, and beneficial ownership analytics to locate transactions that may prompt FDI filing obligations, and to flag standstill or suspensory requirements impacting closing, registration, or corporate-action processing.

“Similarly, transaction monitoring, escalation frameworks and post-approval compliance tracking are being strengthened. In addition to refining its operational models to ensure clearer segregation of activities and data flows between jurisdictions, closing workflows are also being adapted to accommodate potential delays arising from screening processes, including blocked or pending corporate actions and transactions while regulatory clearance is being obtained.”

Rowland emphasises the tightened FDI frameworks has a prevalent impact on custody: “Asset servicers need operating models that can adapt to differing national rules, ownership restrictions, settlement requirements, and regulatory expectations. Custodians are increasingly expected to act as regulatory navigators rather than simply safekeepers. In today’s fragmented global landscape, clients are looking for insight, market access support and operational readiness.”

Graham reiterates that the most immediate pressure stems from the look-through obligations many FDI screening regimes now enact.

“Identifying the ultimate beneficial owner of an investment is straightforward enough when you are dealing with a direct corporate acquirer but for funds, particularly those with complex multi-layered structures and a diverse international investor base, it is genuinely difficult.

“Custodians and fund administrators have had to build out or significantly enhance their investor identification capabilities to support that process, and given that the answer can differ depending on which jurisdiction’s regime you are applying, the architecture required to do that consistently across multiple regimes is not trivial.

“The divergence point compounds this. Different regimes have different ownership thresholds that trigger a notification obligation, different definitions of control, and different expectations around what information needs to be provided. So you are not just asking the question once, you are asking it multiple times against different criteria, and the infrastructure needs to be able to support that simultaneously.”

She says additionally an ongoing monitoring component is sometimes overlooked.

“FDI clearance is not always a one-time event at the point of acquisition. Some authorities impose conditions that require

continuous monitoring of investor composition, of operational compliance with mitigation measures and the expectation is increasingly that fund administrators will have systems in place to flag material changes.

“And the consequence of getting it wrong is severe enough; notification failures can result in transaction avoidance and significant penalties in some jurisdictions. As we discussed above, that instinct is to over-invest in compliance infrastructure rather than risk the alternative. That has a cost, and it is ultimately a cost that flows through to fund managers and their investors.”

Evolving global custody landscape

The global custody ecosystem is being reshaped by key national security concerns and trade dispute developments, especially the rising use of economic policy as a national security tool, US-strategic competition, and critical minerals and energy security anxieties.

Custody providers' roles are evolving in response as they bear responsibility for managing sanctions risks, FDI screening requirements, export control effects, and beneficial ownership transparency obligations.

Graham notes that custody is being elevated from a back office function to a strategically sensitive part of financial infrastructure due to the effect of trade disputes and national security concerns.

“Governments are increasingly scrutinising custodians due to their role in holding assets, processing transactions, and managing sensitive financial data, which drives tighter FDI screening and regulatory oversight of ownership and control structures. At the same time, cross-border transactions involving custody providers face longer timelines, and heightened regulatory risk, particularly where investors are from jurisdictions viewed as politically sensitive.”

Global custodians must concentrate on ensuring compliance with progressively strict and wide regulatory obligations, Garcia emphasises: “As a result of recent geopolitical events, the complexity and opacity of sanctions and FDI regimes FDI challenges has grown — and global custodians face a greater burden to monitor and ensure no sanctions are breached, including across supply chains.

“This reflects a wider shift toward economic security as a core policy objective, leading to heightened scrutiny of investor origin and ownership structures, greater focus on sensitive sectors such as data and infrastructure, and more complex cross-border regulatory coordination.”

Rowland adds: “Looking ahead, the next phase of FDI regulation will not operate in isolation. It will increasingly intersect with sanctions, export controls, tariffs and industrial policy, making joined-up regulatory intelligence an essential capability for firms operating across global markets. The firms that combine scale, local market expertise, strong governance and technology-enabled monitoring across their custody networks will be best placed to thrive.”

Cross-border capital is increasingly flowing into infrastructure, private equity, digital infrastructure, energy transition assets, and real estate, while globally sovereign wealth funds, pensions funds, and insurance capital investing are growing. In spite of geopolitical fracturing, institutional investors are pursuing ongoing international diversification.

Rivalry over investments among jurisdictions exists along with enhanced protectionism, as investment policy is altered by geopolitical tensions, supply chain resilience, and economic security.

Future landscape

Investment screening regimes are anticipated to widen further into the future. Additional trends point to more outbound investment controls, increased emphasis on beneficial ownership disclosure, and greater regulatory cooperation between allied jurisdictions going forward.

Fragmentation is also expected to increase further rather than lessen, with compliance obligations anticipated to grow.

As FDI regimes continue to broaden their sectoral coverage and enhance pre-transaction notification obligations, custody providers have developed into key regulatory intermediaries.

As governments move to increase supervision of foreign capital, to safeguard economic security and supply chain resilience over complete free-market expansion, FDI screening has become a concrete fixture of global investing rather than an interim geopolitical response. ■

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A path of continual learning

Joel Whitehead, an assistant tax manager in the fund tax, operational oversight department at Waystone, explains the importance of being proactive in acquiring knowledge

Can you give us an insight into your personal journey into the asset services industry? Why did you decide this was the career for you?

I joined the asset servicing industry straight after completing my A-Levels, starting at the Bank of New York in 2017. While I had the option to go to university, I chose to begin my career early and develop through hands-on experience alongside professional qualifications. I started in a junior role and progressed to an analyst and then senior analyst position. Early on, I recognised that financial services suited my strengths, and I found myself naturally gravitating towards client-focused work.

During my time at BNY, I developed my tax knowledge by working with a range of fund and asset management clients, gaining exposure to a variety of tax compliance and reporting requirements. As my experience grew, I took on increasing responsibility for managing client relationships and delivering tax support across multiple mandates. When an opportunity arose to move into a more specialist tax role within the industry, I decided to make the transition. This has continued to be my focus ever since joining Waystone five years ago. Alongside my day-to-day responsibilities, I completed the Association of Taxation Technicians qualification and am currently awaiting the result of my final Chartered Tax Adviser exam in July 2026.

What aspects of your job do you enjoy most?

One of the most rewarding aspects of my role is the exposure to a wide network of colleagues and service providers across different jurisdictions, including teams in Germany, Italy, India and Taiwan amongst several others. Building strong, long-term relationships, both internally and externally, is a key part of the job and something I really value. I also enjoy the technical

complexity of the work. Asset servicing tax is inherently challenging due to the variety of transactions undertaken by funds and their global investments. This means we need to consider not only UK tax rules, but also local tax regimes to ensure ongoing compliance.

A particularly satisfying part of the role is identifying and delivering value for our clients. For example, I recently managed a significant French withholding tax recovery exercise. This required working closely with external advisors to demonstrate that our funds should be treated as comparable to a local French vehicle under European Court of Justice principles. While the process was complex and time-consuming, the outcome was a substantial recovery for the client and a clear demonstration of the value we can add through technical expertise.

Being fairly new to the industry, how does your experience compare to those who are more established? Are there pros and cons?

With nearly nine years in the industry, I would now consider myself relatively experienced, although asset servicing is a field where there is always more to learn. I think that there are clear advantages to recruiting new people to the industry, as they often bring fresh perspectives and are more likely to challenge existing processes, which can lead to efficiencies and improvements.

On the other hand, tax is an area where experience does carry significant weight. The breadth of taxes involved, from corporation tax and withholding tax to stamp taxes (to name a few), combined with the global nature of fund structures, means that practical experience is invaluable when dealing with complex or unusual scenarios. A strong team benefits from a mix of both fresh thinking and established expertise.

Have you noticed any misconceptions about the asset servicing industry?

A common misconception is that asset servicing roles are purely operational or administrative. The work, particularly within tax, is highly technical and requires a strong understanding of both legislation and market practices across multiple jurisdictions. There can also be an assumption that the industry is quite static. However, in practice, it is constantly evolving in response to regulatory change, market developments, and increasing globalisation. This means the role is far more dynamic than many might expect.

Is there anything in the industry you would like to see evolve or change?

One area I would like to see continue to evolve is the standardisation and simplification of global tax recovery processes. Currently, reclaiming withholding tax in certain jurisdictions can be complex, time-consuming, and inconsistent, which can create inefficiencies for funds and their investors. Tax is notoriously slow to adapt to technology.

Notably, the EU is working on a the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive, which aims to make withholding tax procedures in the EU more efficient and secure for investors. We closely monitor this and many other market developments through our extensive cross-company network. In addition, it will be interesting to see how the industry adapts to the significant recent advancements in AI. Waystone has provided us with various AI tools, and we have been keenly using them in an effort to improve efficiency.

What is the training process for a new employee? Was it beneficial to your role and those now in the same position?

The training process within our team is very structured. We have developed a comprehensive training guide, alongside detailed procedural documentation, which helps new joiners build a solid understanding of both the technical and operational aspects of the role.

As a line manager, I have seen first-hand how beneficial this is in helping individuals get up to speed quickly while still having the resources to refer back to as they develop.

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

In the long term, I see myself remaining within the asset servicing industry in a more senior tax-focused role.

While there are opportunities to move into broader areas of tax, such as general corporate advisory, I am keen to continue building on my experience within asset management and servicing. It is a highly specialised area where I believe I can add the most value and continue to develop deep expertise.

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

The best advice I received early in my career was to stay curious — ask questions, be proactive in learning, and focus on building relationships from day one. No single person has all the answers, and so you will benefit greatly from a strong network of colleagues and contacts.

I would also encourage graduates to be open to different opportunities within the industry.

Early roles can provide a broad foundation, and over time you will naturally find areas that align with your strengths and interests. ■

Joel Whitehead
Assistant tax manager
Waystone



Industry Appointments

Gresham appoints Giannaros as CEO

Gresham, an enterprise data automation for the financial services industry, has appointed Spiros Giannaros as CEO, succeeding Mark Hepsworth, who will transition to a board role. Giannaros brings more than 25 years of experience building and scaling enterprise software platforms for the global capital markets industry.

Most recently, he served as president and CEO of Charles River Development and head of platform strategy for State Street Alpha. Prior to Charles River, Giannaros served as partner and senior vice president at Markit (now S&P Global), where he led the global business for Markit EDM, the enterprise data management and portfolio management platforms that Gresham acquired in early 2026.

Giannaros has served as an operating advisor to Gresham, and its owners STG, since February 2026 and has been instrumental in helping the company shape the product strategy and develop its AI product and operational roadmap, the firm notes.

Marc Bala, managing director at STG, the owners of Gresham, says: "We are thrilled to introduce Spiros as the new CEO of Gresham. Spiros is an exceptional leader with an outstanding track record of driving growth and innovation in capital markets technology businesses."

Xceptor appoints Dyrberg as CEO

Mireille Dyrberg has joined Xceptor as CEO, succeeding Michiel Verhoeven, who has stepped down after more than three years in the role.

Dyrberg brings over two decades of leadership experience across capital markets, data, and automation.

Most recently, she served as CEO of FRISS, where she led the scaling of AI-driven risk and fraud solutions.

Prior to this, she worked across senior roles including CEO of EMEA and global chief operating officer at TriOptima — where during her long tenure she drove the company's expansion in post-trade risk reduction and optimisation services — and as chief operating officer at Duco.

Previously, she worked at Dresdner Kleinwort as a business manager, rates and as head of run-the-bank projects at the same firm before this.

Pete Daffern, non-executive company chair, Xceptor, notes: "As we look forward, Mireille's deep industry expertise, proven track record of scaling businesses in regulated environments, and client-centric focus make her the ideal choice to lead our next phase of growth. On behalf of the board of directors, I'm delighted to welcome Mireille as our new CEO."

Standard Chartered makes new appointments in Europe

Standard Chartered has announced senior appointments to its Europe Management team to further strengthen its operating model for future growth and offering for clients.

Margaret Harwood-Jones has been appointed as CEO for Europe and UK, effective 1 September 2026.

The bank says that the creation of this newly unified CEO role, which brings together Europe and UK oversight under one role, aims to drive growth and even greater alignment across the region's 11 markets, which deliver advisory, risk management, financing, and transaction services.

Harwood-Jones, currently global head of Financing & Securities Services (FSS) at the bank, brings over three decades of experience within financial services. Most notably, she led a transformation of Standard Chartered's FSS business which positioned the bank as a top three custodian bank across Asia, Africa, and the Middle East and spearheaded the bank's digital assets custody proposition. Previously in senior management positions at BNP Paribas, and before that at HSBC, Harwood-Jones has undertaken roles in global sales management, relationship and service management, marketing, and product management.

The bank also announced Jörg Hessenmüller as CEO for Standard Chartered Bank Germany (SCB AG), succeeding Nicolo Salsano.

Hessenmüller joined Standard Chartered in 2024 as chief operating officer for SCB AG and saw his remit expanded last year to include chief technology and operations officer for Europe.



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Broadridge appoints Nichols

Broadridge Financial Solutions has selected Mark Nichols as co-president of digital assets.

In this role, Nichols will spearhead Broadridge's strategy, product development, and execution across the tokenisation and digital asset arena, along with co-president German Soto Sanchez.

The firm says the appointment reinforces Broadridge's ongoing commitment to modernise financial market infrastructure and expand its digital asset capabilities.

Nichols joins Broadridge from Ernst and Young US, where as a partner, he co-led EY's digital asset consulting business and

oversaw its market infrastructure consulting practice.

Earlier in his career, he led product across future commission merchant, collateral, and funding within Deutsche Bank's fixed income business.

Tim Gokey, CEO of Broadridge. "Mark's combination of strategic vision, market infrastructure expertise, and deep knowledge of tokenisation will help us accelerate those efforts and support the adoption of tokenised securities."

Nichols adds: "I'm excited to help deliver innovative solutions that will better enable clients to scale and adapt to the future of on-chain finance and tokenisation."

Sunetra Global appoints Ting as Client Services Director

Sunetra Global, a global independent provider of bespoke fund, corporate, and private wealth services, has appointed Lucas Ting as client services director, based in Hong Kong. In his new role, Ting will help drive forward Sunetra's ambitions to further expand its client reach through both its Hong Kong and Singapore offices, playing a key role in implementing the firm's business development strategy and enhancing its private wealth and corporate services proposition across the Asian market.

Ting has more than 13 years of experience supporting the needs of clients across multiple international markets, including Australia, Canada, China, Hong Kong, Singapore, the UK, and the US. His broad perspective and deep understanding of multijurisdictional needs will further support Sunetra's growth across its global footprint, the firm notes.

In particular, he has specialist expertise in developing bespoke wealth solutions involving trusts, foundations, and insurance structures to deliver the tax, asset protection, and intergenerational wealth transfer objectives of a global client base.

Ting joins Sunetra from a global professional services firm in Hong Kong, where he advised family offices on the integration of Hong Kong and cross-border wealth management plans.

Commenting on the appointment, David Hudson, CEO of Sunetra Global, says: "We remain fully focused on growing and enhancing our Hong Kong private wealth and corporate services proposition, and Lucas's appointment is a reflection of that intent. He brings with him considerable international experience and expertise from his previous roles and will play a key role in driving forward our business development strategy in the Asian market." ■



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