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Broadridge's Demi Derem explains why SRD II is important on a global scale

Leading the change

Commerzbank's Nikolaus Giesbert believes industry transformation is occuring as new technologies are deployed, providing increased interoperability and connectivity to clients

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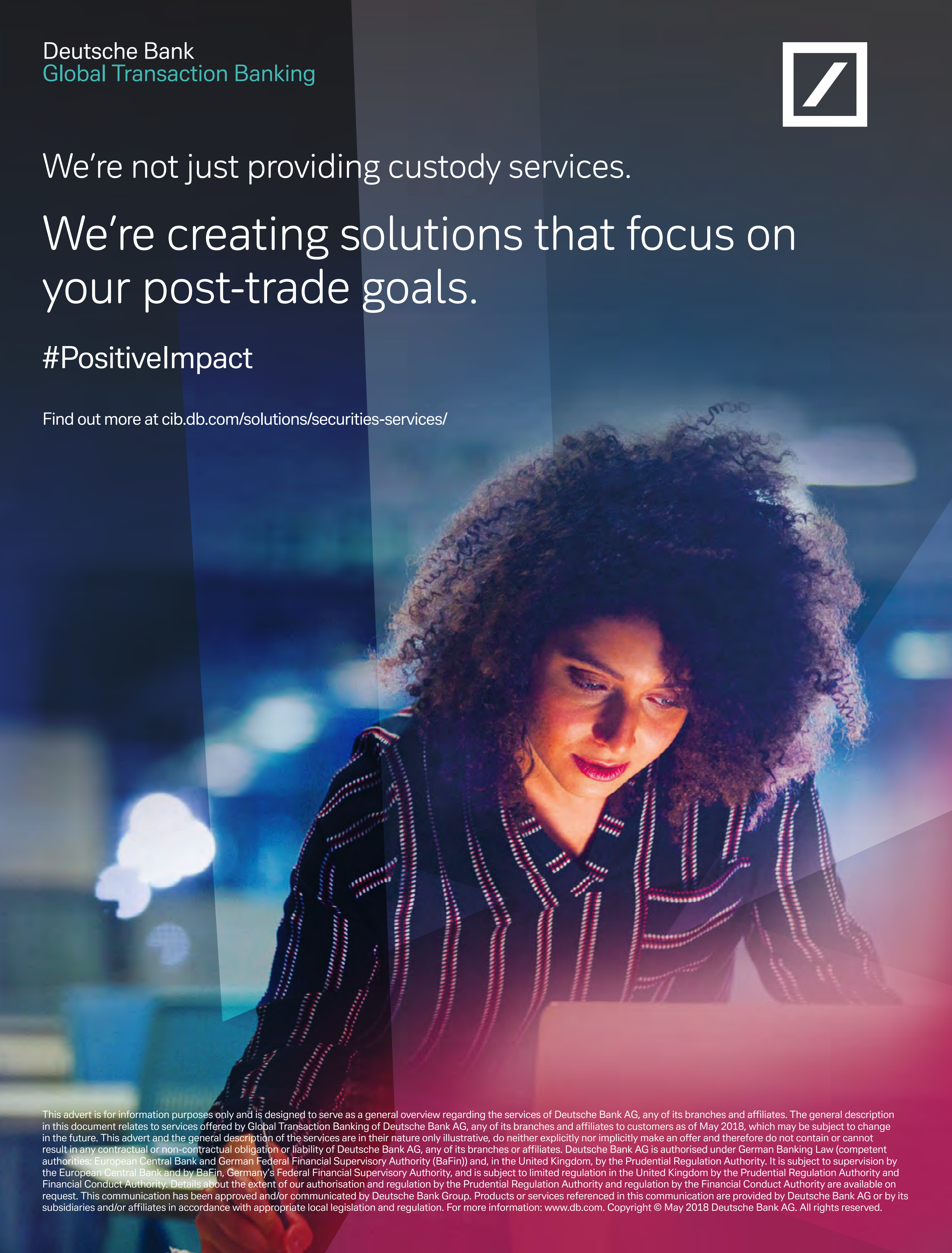
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Shareholder Rights Directive – it's time to act

Demi Derem of Broadridge Financial Solutions explains the four reasons why SRD II is now a high priority for intermediaries on a global basis

If you are a bank, broker or wealth manager that handles European shares, the newly updated Shareholder Rights Directive regulation hits September 2020 and will impact you.

The countdown is on, creating a growing sense of urgency as firms plan for this mandatory change.

The updated Shareholder Rights Directive (SRD II) represents the biggest shift in European corporate governance standards and processes for many years.

Throughout the investor communication chain, the Directive aims to increase the transparency of communications and drive shareholder engagement levels, while also aligning to the wider trend of investors seeking to take a more active stewardship role in the companies in which they invest.

For intermediaries—the banks, brokers and wealth managers—SRD II has the potential to be particularly onerous. It mandates that information must be shared more quickly, accurately and transparently, including meeting information, vote processing and confirmation, both pre- and post-meeting. It also includes a new requirement to identify shareholders when requested by issuers.

SRD II is in the process of being transposed into national law by European countries—intermediaries are faced with a compliance deadline of September 2020.

Four things you need to know

1. Which intermediaries are impacted?

While SRD II impacts all participants in the shareholder communications value chain—from issuer to investor—the impact on intermediaries is likely to be one of the greatest. It applies to firms across the retail and institutional securities services spectrum including retail banks, private banks, investment banks, brokers, custodians, wealth managers and equity advisors.

Globally, the Directive is far-reaching for those focused on regulatory compliance in markets in which they operate or make investments—it impacts all firms that hold shares in EU-based issuers listed on regulated EU markets, irrespective of whether the firm is based inside or outside of the EU.

2. Offering a proxy voting service is now a requirement

Some firms, such as the global custodians, have a proven track record for servicing the proxy lifecycle, often supported by specialist service providers. However, for many more that don't currently offer this service (or only offer a service to a sub-set of their clients), SRD II is a more fundamental wake-up call to action that mandates the first-time or complete provision of electronic proxy voting services.

Even firms with established in-house proxy capabilities need to take action. For example, the Directive requires the distribution of meeting agendas in stricter timeframes, vote reconciliation on a daily basis, and vote processing "without delay". Firms will also need to support all aspects of vote confirmation, including the timely e-confirmation of receipt and dissemination of post-meeting confirmation that the vote was counted, where requested. Some are assuming a "business as usual" approach; however, this may be difficult to explain when regulators start testing for compliance with the new rules.

3. Shareholder disclosure: security, authentication and data handling

As part of SRD II, there is a new requirement for intermediaries to identify shareholders when requested to do so by issuers. The directive will enable many issuers, for the first time, to build up a clearer picture of their shareholder base. However, intermediary firms are required to process these requests within 24 hours, while at the same time verifying the legitimacy of these requests.

Security and the need to remain compliant with multi-jurisdiction data handling rules are fundamental to a successful SRD II programme. Cybersecurity and encryption requirements add complexity throughout the end to end chain of communications, requiring broad domain knowledge and an ability to address potentially challenging data needs.

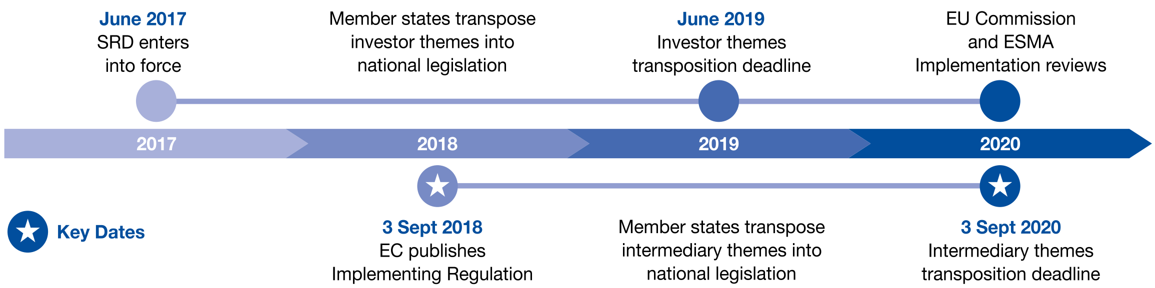
Consider, for example, the scenario where shareholder disclosure requests are received from multiple issuer agents in a range of markets.

The intermediary receiving the requests will need to be confident in the authenticity and legitimacy of each request before disclosing a potentially significant amount of sensitive client data to a third party organisation. This situation will be further compounded if the intermediary is part of a longer chain of custodian intermediaries.

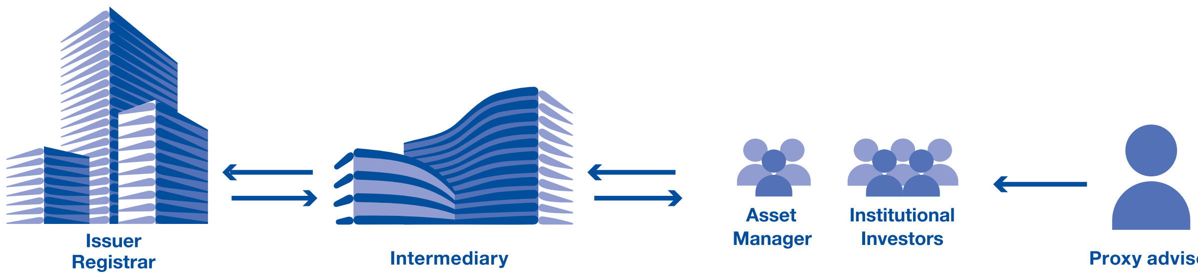
4. Fintech innovation for SRD II

As a neutral and independent service provider, Broadridge continues to invite discussion with all participants throughout the investor communications lifecycle, and across all regions. We have announced our extended global proxy solution, geared to support all types of intermediary—retail and institutional—including those requiring a fast-track, first-time proxy capability that solves SRD compliance in all markets, as well as those firms looking to find cost-effective solutions in order to respond to same-day agenda and vote communications and electronic vote confirmation. We have also announced a new blockchain-based Shareholder Disclosure Hub to enable intermediaries to fulfil their disclosure obligations in all EU markets within 24 hours in response to issuer requests, as required under SRD II.

The deadline for SRD II compliance is fast approaching



Significant impact across the investor communications chain



- Standardised meeting information
- Remuneration standards (policy and report) and right to vote
- Related party transactions, transparency and approval
- Post-meeting vote confirmation

- Identification and transmission of shareholder identification
- Transmission of meeting and voting information without delay
- Transparency of cost

- Engagement strategy and annual disclosure
- Equity investments strategy disclosure
- Analysis of director remuneration policies
- Analysis of related party transactions resolution

- Code of conduct
- Research, advice and recommendations methodology
- Identify conflicts of interest

> ***Security and the need to remain compliant with multi-jurisdiction data handling rules are fundamental to a successful SRD II programme***

Demi Derem
General manager, investor communications solutions international
Broadridge


WE KEEP A WATCHFUL EYE ON WHAT MATTERS TO YOU
With our years of experience and track record in custody services, it is second nature to us to provide top class safekeeping and administration services while leading change in the Nigerian financial market.
For more information, contact Segun Sanni.
email: segun.sanni@stanbicibtc.com or
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Tech for two

Deutsche Bank’s Emma Johnson and Mike Clarke share how, in the changing regulatory landscape, technology can enable compliance and deliver better outcomes for clients

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What technology offerings is Deutsche Bank delivering in an effort for better outcomes for clients?

Mike Clarke: Deutsche Bank Securities Services is focused on aligning its technical innovation with client outcomes and engaging clients in its innovation process as appropriate to ensure it is creating value in either greater efficiency or improved client experience.

Specific innovations include:

- **Chatbot solutions:** to gain faster access to standard query information
- **Open API access:** to allow clients to call functions for the entry or query of information
- **Digitalised documentation management:** to remove current manual and physical documentation transfer
- **Data analytics:** to provide insight on settlement efficiency, liquidity usage and custodial services
- **Real-time data streaming:** to provide clients with "as processed" data updates to feed directly into their systems and analytics platforms
- **Distributed ledger technology:** to provide workflow and data solutions that can streamline multi-party workflow with inherent data security. Note: not all distributed ledger technology (DLT) solutions are reliant on blockchain

How is Deutsche Bank helping clients to comply with regulation?

Emma Johnson: The market advocacy team within securities services is responsible for responding to and front-running the impact of regulatory change to its clients, products and services. It has a seat at post-trade industry associations such as the Association of Financial Markets Europe (AFME) and the Association of Global Custodians (AGC) where it advocates for change and engages directly with the regulators through the eyes of the client, Deutsche Bank and for industry best practice.

When it comes to implementation, the impact on the bank and its clients is at the fore in terms of compliance. When analysing and addressing changes emanating from the regulatory agenda, the market advocacy team highlights the opportunities, recommends solutions for implementation and solves for threats, partnering with clients to ensure that any changes in service, legal contracts and risk management are understood. The Central Securities Depositories Regulation (CSDR) is a great example of the necessity of client advisory given the dependence on provider and consumer behaviour. Hence, we believe that creating awareness through collaboration with clients and industry peers helps to develop the next generation standards and solutions.

How is Deutsche Bank helping with CSDR compliance specifically? What can it offer through data and real-time liquidity insights?

Johnson: Deutsche Bank Securities Services has been at the forefront of the regulatory discussion from the initial publication of the draft CSDR rules in 2012. Since then we have been actively and directly engaged with regulators and through industry bodies such as the AFME, AGC, and the European Banking Federation (EBF) in addition to the local trade associations in the markets we operate in. This participation has helped to ensure that our voice is heard and that our clients are fully represented.

Deutsche Bank Securities Services is leading the bank-wide implementation programme. The programme is a core change initiative with board level supervision. It is hugely important for us and we know it is a priority for our clients too.

We have been doing a significant amount of work understanding and preparing for the requirements of the Settlement Discipline Regime (SDR). We are looking at CSDR not just on a regional basis but on a global basis to ensure that our clients and relationships, regardless of their domicile, are fully considered and supported to comply with the regulation.

We are certain that CSDR has a true interdependency on the operational performance and compliance between the provider and client relationship. The consequences of failure are a priority to avoid. We recognise that a provider's client service ethos and operational performance is a differentiator. We are currently leveraging our data and innovation teams to review our client's current operational behaviour and settlement efficiency rates and model them against future CSDR outcomes. This gives us a baseline to identify any inefficiencies and weaknesses which we will work on with our clients. Further, we are exploring how real-time data and settlement analytics can provide our clients with a risk view of their settlement horizon including a view of trades at risk of penalty and buy-in. By combining our deep understanding of CSDR with our innovative real-time data processing, we feel confident that we can help our clients avoid or minimise penalties by portraying settlement risk on a near real-time basis so that the client can respond timely with decisive action.

How does CSDR differ from other regulations that the industry has been preparing for in recent years? And what implications does CSDR have for custodians?

Johnson: SDR, although complex in its execution, is quite simple in its intention; to incentivise timely settlement. Repercussions for settlement failure due to booking, operational or counterparty inefficiency will be felt at a trading level and therefore CSDR is essentially a 'call to action' to be operationally more efficient top-down and bottom-up. From timely and accurate trade bookings through to allocation, confirmation, settlement and inventory management—front, middle and back offices are impacted. SDR binds trade and post-trade together. This is where CSDR is different to previous regulatory regimes like the European Market Infrastructure Regulation (EMIR) and directives such as the second Markets in Financial Instruments Directive (MiFID II). Institutions may be performing many different roles; trading through to settlement, which might also include being a participant of a CSD, which means cash penalties for late settlement and trading book risk for buy-ins. Poor performance will prove costly.

The custodian will play the role of a valuable information conduit sitting between the CSDs, their clients and their trading parties. Unlike buy-ins which are managed at a trading party level, cash penalties are a vertical process levied by the CSD debiting the CSD participant which caused the failure and crediting the non-defaulting CSD participant. Where the CSD participant is not a trading party, the custodian will apply the penalties to their clients debiting and crediting where appropriate. Crucially, the custodian's role as a trusted intermediary comes in to play turning around information received from the CSDs and performing daily quality assurance checks for the validity and calculation of penalties by the CSDs.

One of the current challenges for custodians is ensuring that custody contracts incorporate the relevant legal language for the buy-in procedure to be enforceable in every market where trading and settlement takes place. This is particularly pertinent for clients who are not based in Europe but have accounts or transact in activity which settles in a European CSD. Education is required to ensure that they abide by European law and that the legal language mandates this.

CSDR requires custodians to offer segregated accounts to their clients and inform them of the costs and risks of the different account arrangements, what implications/opportunities will this cause?

Johnson: Disclosure and account offerings are a post-crisis regulatory mainstay and in this regard, we see the provision of Article 38 as an extension to what we offer today, where segregated markets are currently supported.

The requirement to publically disclose the levels of protection and the costs associated with each account structure including details of the main legal implications and the applicable insolvency law is something we are well versed in now following EMIR and MiFID II.

We believe clients are well versed on account structures in Europe having experienced what has been a lengthy regulatory exercise. We have seen no change in behaviours or expectations from clients and so it is a moot point.

We feel that benefits to disclosure and investor transparency will occur outside of regulation, albeit the influence comes from regulations such as CSDR and the second Shareholder Rights Directive.

We are excited to explore how data and new technology—specifically DLT—can provide beneficial owner transparency and this forms a key area of focus for us; taking a common regulatory trend and developing a tangible solution which will benefit the client and us as the client's provider.

How are Deutsche Bank's new technologies helping with client account queries and balances?

Clarke: The first example to highlight this is our pioneering work on our chatbot 'Debbie'.

'Debbie' is an automated solution developed to provide client trade status information quickly, securely and accurately.

Launched in June last year, just a few months after discussions with the client began, 'Debbie' currently connects with the client's chatbot (for bot-to-bot communications) via the Symphony platform to help improve the client's and their clients' experience in gaining access to status information.

Secondly, in relation to account balances, we are currently working with clients for the exposure of cash balance data, and then subsequently securities data, via the open application programming interface.

Emma Johnson
Director, securities services
market advocacy
Deutsche Bank

Mike Clarke
Head of EMEA securities services
product management
Deutsche Bank

A new approach to a traditional business

Commerzbank's Rob Scott argues that the evolving relationship focus of institutional clients—be that banks or non banks—requires a change of tact

The post-trade business is markedly different compared to years gone by. While it still necessitates that banks maintain regulatory robustness and become ever more cost-efficient, there is a greater demand for more personable client relationships, supplemented with state-of-the-art technologies.

Delivering in this new environment is no easy feat: it requires new thinking and approaches to how we as banks govern our client interactions. In this new and increasingly complex environment, digital services, though critical, are only one part of the equation; after all banking remains a business founded on human relationships and trust. So, what exactly has changed?

Changing business

It's simple: banking is no longer product-driven. Gone are the days when a client has a dozen contacts at the correspondent banking partner—each offering an individual service or product with no joined-up thinking.

Banks are instead favouring relationships that can better guarantee the exchange of expertise and more integrated thinking. For instance, financial institution clients are not looking for singular custody and clearing products, or isolated products and services that address one part of the value-chain. Instead, they require a more rounded and considered, strategic dialogue in order to solve business challenges front-to-back.

As we move towards becoming digital enterprises, clients' expectations are also changing in line with their own personal digital journeys. As individuals, we are increasingly becoming accustomed to real-time, instant information at the touch of a button or keystroke. The information we access on our personal devices isn't limited by boundaries or geographies, but rather brings together multiple sources, activities and applications. As banks, it is our role to bring pan-bank solutions together for the clients.

We can no longer operate with a singular product approach to their client relationships.

Win by excellence

This is why, as a bank, we are doing things differently. For many years, we have made the client central to how we measure success. But, to build upon this, we have now brought together a senior relationship and banking solutions team under "institutionals", whose purpose is to drive a more strategic agenda with the client. We deliver this to the client through one point of contact—a dedicated relationship manager.

These managers have deep industry knowledge and understanding of all of the banks' products and services, and are fully aligned to achieving the client's business objectives: from ensuring regulatory processes are watertight, reducing costs, or even assisting in the expansion of a regional client's international presence. In short, the relationship manager "delivers the bank to the client".

In practice, the relationship manager's role is to have an open dialogue regarding their specific operational and logistical challenges. Through developing a holistic understanding of the client's business, the relationship manager acts as a client ambassador within the bank—representing the client's requirements through careful and considered liaison with the various internal products groups and stakeholders. Importantly, the relationship manager is product-agnostic: their primary role is to only match solutions specific to the client's needs. This approach, of course, necessitates a different mindset. The

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relationship manager must gain an even fuller appreciation of: the client's front-to-back processes; how technologies can bring about efficiency-savings, an enhanced service or better connectivity; the clients' risks and resource consumption. They must also ensure that core investments are sustainable and contribute to the future proofing of the client's business activities.

The net-benefits of developing this bigger picture, though, are clear: we can connect the client to our technological capabilities in a more streamlined, efficient and holistic way—allowing them to achieve superior commercial outcomes and optimise their interactions with us.

Strategic partnerships

This holistic approach to our client also enforces collaboration with third-parties. For example, even if a client executes via another banks trading desk but wishes for us to handle all post-trade activities. Thanks to open-banking principles and application programming interfaces (APIs), our technological capabilities can allow that to happen seamlessly via a single portal.

In securities services, for example, Commerzbank recently entered into a strategic partnership with HSBC Transaction Services GmbH through which our securities settlement business processes are

"Industry transformation is occurring as new technologies are deployed which provide increased interoperability and connectivity to clients. We are pleased to be one of the drivers of digital and innovative solutions for our clients"

Nikolaus Giesbert, divisional board member for institutionals at Commerzbank now transferred to a joint venture, with operations scheduled to begin early next year. The partnership, which allows us to leverage our expertise and HSBC's state-of-the-art domestic securities platform, compliments our wider commitment to simplify and improve processes, while also reducing costs and improving the client experience.

New technologies

The new way of working isn't only underpinned by collaboration with fellow banks; we are also partnering with technology providers to leverage robotic process automation (RPA). We are engaged in a pilot scheme using artificial intelligence (AI) solutions to automate mundane and predictable data processes, thus leading to time efficiencies.

The end result means we can devote more human capacity to our clients, with our energies redeployed to providing meaningful client interaction at the beginning of the working day. Again, ensuring that we are better connected to our clients and allowing for more dedicated and focused time solving or assisting with their day-to-day problems.

For many years, the industry has not been able to deliver a clear view of an organisation's cash positions in real-time, nor has it given transaction data detailing the status of the underlying transaction (whether the transaction has matched, settled, is insufficient or failed).

In part, this is due to the array of legacy platforms and the complexity of bringing all of these platforms together via a single view. At Commerzbank we are working on building and creating transparent client dashboards which enable clients to manage their business in a more commercial manner, optimising and mobilising their liquidity needs across the globe.

In essence, our goal is to ensure that the "institutional experience" mirrors what's already available in many aspects of the client's retail banking experience, whereby the status of all transactions are clearly visible in real time.

Innovation

We work closely with the group's research and development unit, main-incubator, to look for ways to bring emerging technologies to life—and help us to simplify client processes, as well as reduce complexities and costs in attaining digitalised connectivity and service deliveries. We are exploring how blockchain technology can be used for the issuance of commercial paper, and several pilots delivered in partnership have demonstrated that this process can now take mere minutes, rather than days—representing a major step towards fully blockchain-based securities trading.

In addition, we have run successful pilots of our own with tokenised assets—and have examined how securities and cash can be mobilised together on the same blockchain.

We are also looking at big data and advanced analytics in using processes to identify patterns of behaviour or correlating data which, in turn, can enable us to provide optimised products and services at the right time to our clients.

The future

Certainly, with technological advancement progressing at such an exponential rate of change, your service partner must understand what is technologically possible and make the necessary investments to deliver on the new expectations in post-trade. It is therefore imperative that banking partners create an environment in which clients can freely operate, interact, communicate and have at their disposal tools to help them make better business decisions. Despite the change, the fundamentals remain the same: a service partner must deliver on this while mobilising and safe-keeping client assets around the globe in a safe, seamless and transparent manner.

The post-trade business, though in many ways steeped in tradition, is fast evolving. In my view, the next five years promise to be very transformative as new technologies mature and become increasingly accepted by multiple market infrastructures, service providers and of course, clients that connect to them.

The next five years promise to be very transformative as new technologies mature and become increasingly accepted by multiple market infrastructures, service providers and of course clients that connect to them

Rob Scott
Institutionals, senior banker
Commerzbank

A drive to maximise potential

Ronke Ayegbajeje of Stanbic IBTC discusses securities lending as a market catalyst

The concept of securities lending, which involves the transfer of securities from a lender to a borrower, based on agreed terms, is key to the financial sector as the presence and success of a securities lending market is a critical benchmark for measuring market quality and conduciveness for other differentiated products like derivatives.

Dating as far back as 1969, but formally commencing in London around 1999 before gaining popularity in other parts of the world, securities lending is more popular in Europe, some parts of Asia, and North America, with North America doing about 9 percent of world trade. According to the International Securities Lending Association (ISLA) as of 31 December 2018, a total of €2.2 trillion was on loan globally, while €16.6 trillion was available for lending.

Typically, lenders are institutional investors—pension fund administrators, insurance companies, fund managers, hedge funds, and asset managers; or individual investors—high net-worth individuals and retail investors. Additionally, fund managers who engage in securities lending have the potential to improve their fund portfolio performance by reinvesting the income earned in the fund or using it to offset management fees.

Institutional investors may approach a securities lending agent directly to make their securities available for lending while individual investors will do so through an intermediary agent. Parties that play as borrowers include stockbrokers, broker dealers and banks. Most markets have variants of the principal or agency lending models which they align with, depending on the regulations of such markets.

Benefits of securities lending from a participatory standpoint include the opening-up of additional streams of income to both the lender and borrower. Borrowers earn profit from short-selling and taking advantage of arbitrage opportunities while lenders earn income from fees paid by the borrowers. It also brings about market liquidity and drives price discovery. Like most loan agreements, collateral will be involved in the process—hence collaterals are quite critical for securities lending agreements. The collateral is to buy back the securities borrowed in case the borrower defaults, hence protecting the lender and returning him into a state where he was before the securities were borrowed. Collateral types for securities lending include, but are not limited to, cash, bonds, treasury bills, and other money market and debt instruments. Given the importance of securities lending in global markets, the use of the Global Master Securities Lending Agreement has become a standard that most markets adopt.

Curiously, given all its benefits, many regions in the world are yet to embrace the potential of securities lending. Except for South Africa, the rest of Africa is yet to catch-up in the securities lending world. This financial invention is not only a catalyst for more sophisticated financial/capital market transactions like hedging, short selling, arbitrage which ultimately facilitate price discovery and brings about liquidity in the market; it is also the bedrock of many other financial market transactions like derivatives, forwards and so on. A market that is yet to offer securities lending I deem unequal to its securities lending offering counterparts in terms of market development and may not be as forward-looking.

Perhaps one of the reasons that this has not been fully embraced in many African countries and indeed some other parts of the world is that a few people understand the concept. This poor understanding is common to the parties who are supposed to play significant roles in securities lending—holders of securities, government regulators and tax authorities, who may find it challenging to apply tax rules. In some instances, the tax rules do not exist.

One way to remedy the issue of knowledge gap is for fund managers to sensitise security holders in their books and advise them of the opportunities of securities lending and benefits thereto. If this is done at the point of onboarding each client, then a sizeable amount of security holders will be duly informed, and we can expect to start closing the knowledge gap one step at a time.

Another considerable reason is the double taxation of dividend in some jurisdictions. This will happen when a corporate action event such as cash dividends are paid, the holder of the security (that is the borrower) receives the dividend but because the lender must

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be returned to their original position, the borrower will pay the proceeds from the dividend to the lender. The cash the borrower pays the lender in lieu of dividend received ('manufactured' or 'as is' dividend). While the original dividend paid to the borrower is subjected to a dividend tax rate. The manufactured dividend is also subjected to tax, nevertheless at a less favourable income tax rate by the government or tax authorities in such regions because they view the manufactured dividend as normal income from the business. This is discouraging to market makers and may even be viewed as punitive by some financial dealers.

The solution to this is for these governments/tax authorities to come up with policies favourable to manufactured dividends. Perhaps if these policies are imbibed worldwide, the global income from securities lending will surge significantly and securities financing will gain more popularity.

Investors have different personalities and appetite for risk, but as with any loan agreement or transaction, securities lending carries default risk. From history, the risk is controlled effectively through collaterisation of the transaction. Plus, some securities lending agents indemnify their lenders to prevent them from suffering losses.

There is also the risk that the borrower's collateral will be mismanaged by the lender or the securities lending agent, but there have been recent laws to combat this and government regulation in major countries allow lenders to re-invest collateral in sovereign bonds which are relatively risk-free.

To conclude on how effectively securities lending risks and perceived risk are being mitigated, the International Securities Lending Association has come up with a global agreement that governs all securities lending transactions. The agreement addresses defaults, lender and borrower warranties, collateral agreements, taxes and so on. This should encourage savvy investors.

Financial transactions are not usually done in isolation (except they are fraudulent) and will normally involve several parties. Securities lending is not an exception; hence, for it to work, world financial corporations, exchanges and depositories must work together to drive it to its full potential.

Although some parts of the world are yet to fully embrace securities lending, there are organisations that are determined to make it work, pushing, advocating and sensitising. One of such organisations is Stanbic IBTC Bank in Nigeria (a member of Standard Bank Group), which is determined to pioneer this development in the Nigerian market and has worked closely with the Nigerian Stock Exchange, the Federal Inland Revenue Service—Nigeria's tax authority, and the Securities and Exchange Commission to ultimately add value to investors and the greater society.

Stanbic IBTC is technology-driven and has begun the process of driving the securities lending business technologically by engaging with the Nigerian Stock Exchange and the Central Securities Clearing System on processes to make each transaction straight-through. Fortunately, these organisations are very keen on bringing development to our markets and are working together to ensure this is attained.

Just as little drops of water are believed to form an ocean, I believe the efforts of these organisations will eventually pay off and can only hope that the rest of the world come to the table.

Ronke Ayegbajeje
Investor services
Stanbic IBTC

Technology transformation

National Settlement Depository's Eddie Astanin highlights how global trends are changing Russia's post-trade sector, from the technology used to the regulations being implemented

How is NSD embracing the transformation of infrastructure in a time where technology in asset servicing is changing at such a speed?

National Settlement Depository (NSD) is Russia's central securities depository, the custodian for all Russian stock market assets. We are part of the Moscow Exchange Group and provide post-trade services in our country. Initially, NSD was established as a central securities depository; however, today, NSD has six business lines, each providing unique infrastructure services: safekeeping services, corporate information centre services, multi-currency settlements, registration of over-the-counter (OTC) transactions (repository services), information services, collateral management, and IT (platform-based) services.

We are striving to become the infrastructural internet, an ecosystem that would enable our clients to develop their services and products for themselves and their customers. The value of the securities under custody reached RUB 49.1 trillion, the number of trades registered with NSD's repository grew to 3.6 million.

NSD is the first and only company in Russia and the Commonwealth of Independent States countries that has received an accredited local operating unit (LOU) status. This is a permanent status which replaced the temporary one (pre-LOU). It confirms NSD's compliance with Global Legal Entity Identifier Foundation (GLEIF)'s regulatory and technological requirements for an organisation which assigns and maintains legal entity identifiers (LEIs).

In Q2 2019, NSD assigned 17 new LEI and verified 116 LEIs. LEIs assigned by NSD is recognised by regulators, market participants, and LOUs of other countries. NSD continues to act as Russia's Numbering Agency and as the substitute numbering agency for CIS countries, assigning international securities identification numbers (ISIN)s, financial Instrument codes (CFIs) and financial instrument short names (FISNs).

In Q2 2019, NSD assigned 405 ISINs, CFIs and FISNs to Russian financial instruments. The number of foreign securities qualified by NSD in Q2 2019 amounted to 1,962.

What trends is NSD seeing right now?

One of the main global trends which we see and feel is disintermediation, meaning that the existing client service model is transforming from a wholesale model to a flat retail model. This trend is being promoted by regulators and is also being contributed to by new digital technologies that enhance connections between end investors, including retail ones, and settlement organisations in the securities market, such as central securities depositories (CSDs).

As a result, the post-trade sector regulation is also changing. In addition, the accumulation of big data is taking place in the CSD industry, which is boosting the development of solutions

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for the market in conjunction with regulators, including in the regtech space.

Another trend we're seeing is the transformation of business models for companies that operate in post-trade sectors, in particular, CSDs; they are moving from monoline services, such as safekeeping and settlements, to multi-services or veritable "financial supermarkets." We also see the trend for building open platforms that may be integrated with clients and with each other.

One of the drivers of such transformation is new digital technologies and changes in consumer behaviour, especially for generations Y and Z. Their "click-done" motto requires appropriate technological solutions in the post-trade industry. That is why we are actively engaged in searching for and developing solutions with other fintech companies. We already have a broad base of knowledge and skills, for example, in blockchain, robotisation, and application programming interfaces (APIs).

Are automation, machine learning and/or AI causing challenges or providing opportunities within the industry in Russia? How are you utilising the technologies?

For us, all those digital trends are opportunities, of course. CSDs have a quite unique market position—they are rather neutral with regard to market players' conflicts of interests, and regulators also trust them. We, therefore, think that CSDs can be solution providers, for example, in the regtech space.

At the moment, we are in discussions with the market and the regulator regarding the creation and implementation of a system to validate market participants' XBRL reports to the regulator. If in the over-the-counter (OTC) market (for example, the repo market), blockchain platforms will be developed as systems for making transactions, we think that CSDs will be able to offer their clients customised smart contracts that provide for data interchange and generation of instructions between blockchain platforms and conventional systems for managing fiduciary collateral (cash, securities, precious metals and etc).

We see a growing demand for safekeeping and settlement services for tokenised securities and pay special attention to this market. In 2017, NSD initiated the establishment of an international working group to prepare and harmonise CSD requirements for handling digital assets stored in a blockchain system, as part of International Securities Services Association.

NSD, together with its partners in the Hyperledger consortium (Soramitsu and KDD, a Slovenian CSD), also developed an IT platform for D3Ledger, a global distributed digital depository; the platform performs such functions as the issuance, safekeeping, settlement, and servicing of tokenised assets based on the global distributed ledger. Market participants also demand standardisation of financial messaging formats and channels. Open API platforms could be a solution capable to meet this demand. Our company has launched such a project for banks and corporations in the Russian market. SWIFT could be such a provider globally.

Which NSD projects do you consider critical for integrating Russia's infrastructure into the global financial system?

The law on CD, introduction of the concept of foreign nominal accounts and lines with foreign CD, implementation of ISO 20022 formats, as well as compliance of NSD with international standards and regulations on risk management and internal control, compliance, tax administration.

NSD has eight links with international CSDs and CSDs of the Commonwealth of Independent States countries, the status of the qualified intermediaries, Foreign Account Tax Compliance Act.

What are your predictions for asset servicing in Russia over the next five years?

There will be platforms, ecosystems that will provide users with access to various assets and services. For example, we have launched a project marketplace. The asset class will be enriched by digital assets such as tokens. Asset management will be enriched with robo-advisors, analytics with big data.

We see a growing demand for safekeeping and settlement services for tokenised securities and pay special attention to this market

Eddie Astanin
CEO
National Settlement Depository

On the horizon

SmartStream CEO, Haytham Kaddoura, talks to AST about the company's progress with its new innovation centre as well as future initiatives in the pipeline

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Can you tell me more about SmartStream's entry into the AI market and what the company is offering?

We understand the transaction matching, exceptions and investigation needs of our customers, and these processes are prime for the adoption of artificial intelligence (AI) and machine learning technologies.

In 2018, we officially launched the SmartStream Innovation Lab. It is an isolated environment where a highly skilled team consisting of applied data and computer scientists are able to devote themselves solely to the investigation of how data is processed for financial institutions. The lab is bursting with energy and ideas; it's where our innovations come to life.

What are the biggest challenges the industry is currently facing within technology?

There are many challenges, but we address them, it is our business. Financial institutions are learning to utilise data from associated systems and we have been gathering this data for more than 30 years. Banks have hundreds, if not thousands, of systems pumping in data and they have to find an efficient way to consume that data.

The challenge going forward is how to integrate systems and consolidate the data so that it makes sense and allows banks to understand its operations across different business units. Furthermore, clients can gain more visibility across their entire global operations. This is the key challenge institutions are facing right now.

The second challenge is getting access to skills. There is a shortage of people with the knowledge of how to truly leverage machine learning and AI technologies–people don't have experience largely because it's such a relatively new field. There is going to be an immediate need for people with the right skills to address the gaps in the market.

A new innovations team was recruited at SmartStream last year, how is the initiation of that team progressing?

It's going very well. We are pushing a range of products out into the marketplace at Sibos to be followed by a steady stream of solutions and innovations.

How are AI and robotics technologies transforming the financial services industry?

It's a massive transformation that is affecting how we service clients and how we understand the needs, dynamics and the accessing of client data in a far more efficient way.

New technology is improving operational efficiencies in terms of analysis and robotics while eradicating human error and mistakes in regulatory reporting. We've found we even go back to the regulators in advance of them finding any issues.

There's a lot of negative talk in the media about how new technology will be replacing jobs. I don't think this is the case, the overwhelming impact for the global workforce and business as a whole will be very positive. It's about taking opportunities, embracing different concepts, and allowing people to develop new skills.

Ultimately, people are doing their jobs better which helps their company stay competitive.

Do you think some companies are using such technologies because they feel a certain pressure to?

It depends, I don't think there is any pressure. Operationally, if firms want to remain competitive in the future I don't think they have much choice. To remain relevant they need to embrace new technologies. This is very applicable to the retail and consumer world.

There are many people that are not happy with the concept of using AI for AI's sake and frankly, I think they're right. It's about the advantages of using it, so it's not necessarily jumping on the bandwagon, it is about what it is really going to do to help their business processes.

It is the engine, and that's the way SmartStream approaches things. We have a reputation that people rely on and when we invest in the research and development of new solutions, it means something.

Some people have been just throwing terms around with different examples and different entries into the market because they are AI-enabled, absolutely, but it's only because it means something that could be done in another way.

At SmartStream, it also means something, and it's really going to enhance the experience in a way that nothing else could, so it's not just for its own sake.

That's a different way of looking at things, we have three different entries that do so—and that's how we differentiate ourselves.

Has increased regulation in the last 10 years become a catalyst for the use of more technology in asset servicing?

The impact of regulation on financial services has been massive. In terms of accuracy and speed of data provided to regulators, it is now instantaneous and more frequent compared to 10 years ago. If you look back to the last financial crisis, batch and overnight processing were common, especially for institutions with global operations. They need to understand that in terms of liquidity they must effectively address and understand exposures effectively and at any point in time.

Liquidity shouldn't be an operational burden, it can be a competitive advantage and we understand how the technology that makes that happen can add true business value. Institutions can now leverage cloud computing, AI and machine learning to achieve the goals that have long eluded them–real-time liquidity management on a global level.

I've had sessions with regulators where we're waiting to access that data which in this day and age is unacceptable. Massive changes have happened and there are many more to come regarding the technology used in financial institutions. One that we are now just beginning to see is cashless entities and SmartStream is at the forefront.

How do you think technology will develop over the next five years? And what is SmartStream working towards in terms of technology?

The change is very fast-paced, especially now with AI, robotics and talk of many new technologies being introduced to the market, and SmartStream is keeping pace. However, as in the past, we don't just jump in with any technology to say we are there and have a solution.

We investigate, meet with customers and industry experts to ensure we can develop something that will add real value and not just include the latest and greatest technology simply to say it's in our solution. We want to make sure there's a real need for it and it will make a difference.

An example would be in the asset servicing space. We have quite a few announcements coming up in the next few months about solutions we have been developing in the last year.

We will be debuting three of these at this year's Sibos with more coming out in the following months. I can say these products will truly be groundbreaking. There is nothing like them in the market.

Our three entries were chosen because we want to demonstrate that SmartStream is at the forefront of technology, and they represent the integration of our technology in very different offerings tailored to very different customers.

We have chosen to debut it as part of our managed services offerings, as an integral part of some of our cloud-based solutions designed for mid-tier deployment and as the core to a truly revolutionary reconciliation solution which is absolutely brand new in every way.

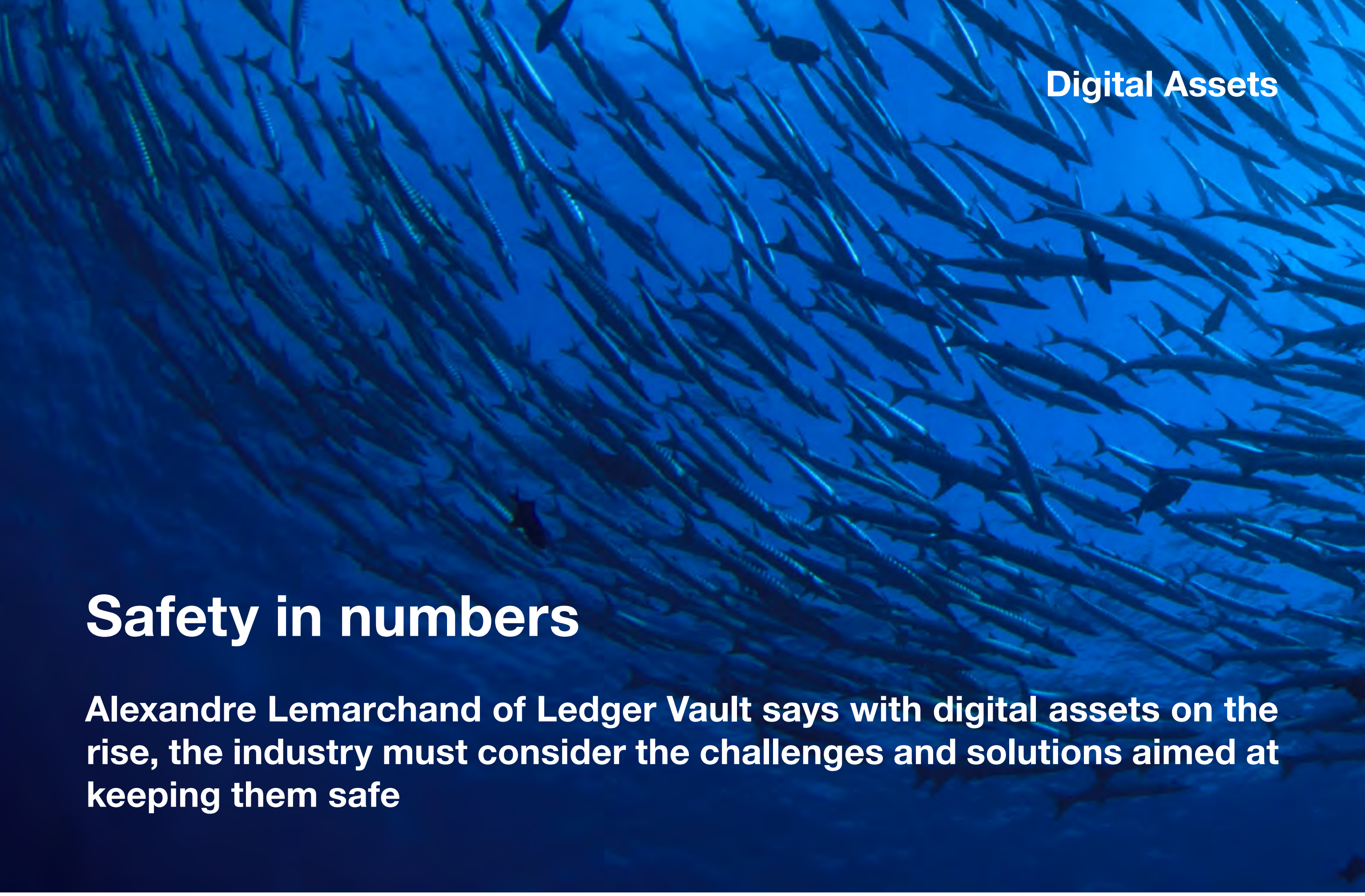
I'm excited by the progress we're making and, with future announcements on the horizon, the industry will really understand the breadth of what we do and the commitment we are making to our customers with new technologies and best practices.

The innovation centre is where the idea for future solutions germinate and begin to form and the innovation and spirit is something that has truly permeated the company and the way we do business.

The change is very fast-paced, especially now with AI, robotics and talk of many new technologies being introduced to the market, and SmartStream is keeping pace

Haytham Kaddoura
CEO
SmartStream


Why settle for less?
Claim what is rightfully yours



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Safety in numbers

Alexandre Lemarchand of Ledger Vault says with digital assets on the rise, the industry must consider the challenges and solutions aimed at keeping them safe

Institutional investment and digital assets

We are clearly in the midst of a mainstreaming of cryptocurrency and digitised assets. At the time of writing, the top crypto exchange handles a volume of around $50 billion and Bitcoin is trading at or around $10,000. Bitcoin price fluctuations are covered by the mainstream media and a growing number of institutional investors are turning to digital assets to build out their traditional investment portfolios.

Last year, the largest academic endowment in the world, the Harvard Management Company, put somewhere between $5 and $10 million into cryptocurrency. In May, a Fidelity survey asked institutional investors including pensions, hedge funds and endowments what they thought about crypto and digital assets. Just under half, 47 percent, of respondents reported an “overwhelmingly favourable” opinion of digital assets while 72 percent of respondents said that they prefer to buy investment products that hold digital assets. The study indicated that “institutional investors are finding appeal in digital assets and many are looking to invest more in digital assets over the next five years”. We’ve been talking about Bitcoin, Ethereum and so on for years. In February, JPMorgan Chase launched JPM Coin, making it the first US bank to create a digital coin representing a fiat currency. Their token is in a prototype phase and is being tested solely with J.P. Morgan institutional investment clients.

According to Reuters, “several of the world’s largest banks are in the process of investing around $50 million to create a digital cash system using blockchain technology to settle financial transactions, according to people familiar with the plans”.

Building security for tokenisation and digital assets

With digital assets on the rise, we must consider the challenges and solutions aimed at keeping them safe. As cryptocurrency awareness grows, the digital custody landscape will as well. In the future, there will be more institutional investors on the scene diversifying their portfolios with digital assets. More regulated custodians will be on the scene supporting serious long-term growth for individual investors, asset managers and family offices.

However, industry reports have shown that some $1.7 billion in cryptocurrency was stolen in 2018. The threat landscape faced by investors is similar to those facing security professionals in all tech spaces and will only become broader as the industry grows. From social engineering to traditional cyberattack methods like site clones, phishing and SMS hacks, to basic hardware tampering, there are many entry points in this new frontier.

But cryptocurrencies aren’t physical goods that can be locked up in a safe or transported in a Brink’s truck. Digital assets

like Bitcoin, Ethereum and Ripple exist on the blockchain and are maintained in a decentralised environment. To establish "ownership" of cryptocurrencies, the transaction activity is tracked on a public ledger—the much-heralded blockchain itself—by public and private keys.

Understanding digital asset custody

Proper custody of digital assets isn't as easy as locking up gold or paper currency in a bank vault. Since cryptocurrencies like bitcoin and Ethereum exist completely digitally on a blockchain and are by nature maintained in a decentralised environment, they present an enticing target for hackers. Further, institutions dealing with public and private keys on such a large scale isn't easy. Secure storage of large digital asset funds is complex, and institutions need safe, comprehensive and integrated security solutions.

In the cryptocurrency world, there are several ways to store your digital assets but they all generally involve some form of wallet. Very simply, a 'crypto wallet' is a device on which your private keys are stored. Your private keys are a critical piece of information used to authorise spending and selling crypto on the blockchain. The wallets in which you hold them can be physical devices, software- or solution-based or simply the online exchange from which you've purchased your currency.

Of those wallets, there are two types: hot and cold. Hot wallets are connected to the internet, while cold wallets are not.

Hot wallets

There are two main types of hot wallets:

Web/online/exchange: Leaving your crypto on an exchange is an example of hot wallet storage. Any type of storage that is online is considered "hot." These types of online wallets are the most insecure and susceptible to being hacked, having your email and login info being stolen, or to counterparty risk.

Software wallets: A software wallet is an application that you download to your computer or phone. It is considered safer than a web/exchange wallet because you, rather than a third party, have control of your private keys. However, since your computer and phone are vulnerable to hacks, software wallets still aren't the best option.

Cold wallets

There are two main types of cold wallets:

Hardware wallets: Hardware wallets are widely considered the safest option for storing your crypto. Typically in USB format, a hardware wallet can be connected to the internet to transfer exchange for trading, but it can be disconnected, with your crypto stored totally offline and inaccessible to hackers. The main principle behind hardware wallets is to provide full isolation between the private keys and your easily-hacked computer or smartphone.

Paper wallets: A paper wallet is an offline mechanism for storing. You literally print out your public and private keys on paper and keep them somewhere safe. This is extremely safe—and cheap—but obviously not the best method. If you lose the paper, you completely lose your private keys.

Hardware wallets like the Ledger Nano X have become the de facto best practice among individuals serious about their investments but think about enterprises handling millions of dollars' worth of crypto. In the early stages of institutional investing, asset managers would find themselves securing massive amounts of wealth on hardware wallets with no convenient and efficient way to implement meaningful segregation of duty. As cold wallets are not always connected to the internet, they are considered the safest option for personal investment and crypto holding, but institutional investors can not rely on one over the other.

While USB-based hardware wallets are undeniably the best way for individuals holding cryptocurrency to protect their investment, they're not practically viable for enterprises handling millions of dollars' worth of crypto. In the early stages of institutional investing, asset managers would find themselves securing massive amounts of wealth on hardware wallets with no convenient and efficient way to implement meaningful segregation of duty. The financial industry needs custody solutions that are more holistic in their approach, combining both hot and cold approaches, and encompassing both hardware and software technology solutions.

The most secure way to manage crypto assets is through an end-to-end multi-authorisation governance infrastructure. Secure storage of large digital asset funds is complex, and exchanges and institutions need safe, comprehensive and integrated solutions. An effective approach employs a multi-authorisation self-custody system of management and gives financial institutions security, control and speed of execution. A reliable governance framework provides instant access to funds without compromising security whether data is at rest or in transit.

Addressing the future of security

So clearly you can't be running crypto on a bunch of jump drives. Even the most novice crypto holder needs a wallet that has both a secure element and custom operating system without compromising security and convenience. While blockchain aims at revolutionising financial systems, many investors are still decades in the past when it comes to the way they are safekeeping their digital assets.

The appetite to hold digital assets across institutional investors has increased over the past few years. There are a few primary considerations when it comes to the custody of digital assets.

Effective cryptocurrency custody solutions should ensure there are no single points of failure within an organisation. Think about the QuadrigaCX case during which $163 million disappeared. While it's now clear that it was a matter of extreme fraudulence and one bad actor, it showed—on a tremendous scale—the danger that lies in trusting single points of failure.

There is no denying that the digital asset world is one that is constantly under attack. We spend significant time and effort to assess the security of our technology along with our industry's. As hackers become more sophisticated, there is no question that our industry will be forced to adapt and create novel technology, which is exactly where our work leads us.

Designing security is serious, hard work and that's what we do at Ledger Vault. Those working in this field spend a lot of time and resources trying to create secure solutions.

We consistently seek to publish findings to raise awareness about the security of our industry, and also to lay the groundwork for other security researchers. Our intention is that this work will lead to additional research and improve the overall security of the industry.

As hackers become more sophisticated, there is no question that our industry will be forced to adapt and create novel technology, which is exactly where our work leads us

Alexandre Lemarchand
Vice president of global sales
Ledger Vault

The road to IM compliance

Neil Murphy of triResolve discusses what the initial margin landscape changes mean to the market and how in-scope firms for phase 5 and 6 may decide to take an alternative approach to IM compliance

Recent guidance from the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) has changed the regulatory initial margin landscape. As firms are getting ready to meet initial margin (IM) regulations, a potential one-year extension and removal of some documentation requirements may mean a welcome reprieve for some, but there is still a lot of work to be done.

What does the recent guidance from BCBS IOSCO mean to the market?

Although not yet formally legislated across all jurisdictions, it is now anticipated that the final phase of IM implementation will be split in two; phase 5 on 1 September 2020—firms with an aggregate average notional amount (AANA) greater than €50 million/$50 million—and a new phase 6 on 1 September 2021—firms with an AANA greater than €8 billion/$8 billion. The original phase 5 group of firms has now been split in two, with approximately 30 percent coming into scope in 2020 and 70 percent in 2021, giving smaller firms another year to get ready.

An additional operational burden has also been alleviated for firms as they are not required to have legal documentation and custodial agreements in place ahead of breaching the €50 million/$50 million threshold per counterparty group.

For larger firms who expect to quickly breach the €50 million/$50 million threshold, there is no change. They need to continue preparing for the deadline as planned; selecting an IM calculation method and engine, establishing an IM collateral workflow, defining a reconciliation approach, and putting in place documentation with counterparties and custodians.

However, for smaller firms who are likely to be under the €50 million/$50 million threshold for a long time, or even indefinitely, this presents an opportunity to focus valuable resources on priority tasks, namely calculating and monitoring IM. Allowing them to defer the documentation challenge until their exposure nears the €50 million threshold if required at all.

What is IM monitoring and what do firms need to consider?

IM monitoring is the requirement for firms to calculate IM exposure on in-scope transactions and monitor this exposure against their fellow in-scope counterparties.

Regulation stipulates that IM can be calculated in one of two ways. Either through a regulatory approved model or through a schedule-based percentage of notional approach. The latter does not really allow for much netting and may be quite expensive, although

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there are some instances when it may be the preferable method of calculation. To date, the market has adopted the International Swaps and Derivatives Association (ISDA) Standard Initial Margin Model (SIMM) model as it provides a standard way to calculate IM. SIMM requires firms to calculate sensitivities which then need to be fed into the model to calculate IM exposure amounts.

For IM monitoring to be effective, firms need to have the ability to pro-actively monitor IM amounts. 'Local' thresholds must be set, amounts which, when breached, signal a need to prioritise legal documentation. Upon breach of a local threshold, firms must allow sufficient time to establish legal documentation with custodians and counterparties ahead of breaching the regulatory IM threshold.

Is IM monitoring right for my firm?

Whether you expect to be in-scope in either phase 5 or 6, you are required to calculate IM. However, based on the size and composition of your portfolio you may never exceed the €50 million/$50 million threshold.

Hence, you need to consider whether it is necessary to undertake the additional effort, not to mention cost, of implementing a full IM programme, including extensive documentation. A lighter, cheaper option may be more appropriate to begin with, to assist with preparing for compliance without undertaking unnecessary project steps. Should your IM exposure increase slowly over time, perhaps you may wish to consider switching from monitoring to margining.

What are the next steps?

Hopefully, by now you have confirmed when you are in-scope. Regardless of your phase, planning should be your key priority. Phase 6 firms should not take this additional time to defer IM projects, instead firms should continue their preparation. Calculation of IM exposure per counterparty relationship is essential since this will help firms estimate time to breach the €50 million threshold and hence to determine whether monitoring is right for them.

How can TriOptima help?

TriOptima offers a holistic IM monitoring solution which starts with the calculation of trade sensitivities and IM exposure, monitors your IM versus your counterparties IM, and alerts you when a threshold is breached. With a single trade file and rapid onboarding, we aim to make IM monitoring effective and easy.

Here is how it works:

- Submit a trade file in any format and we calculate your trade level sensitivities
- We calculate the in-scope trades' IM exposure for each portfolio using both the ISDA SIMM and schedule approach. The ability to use both ISDA SIMM and a scheduled approach may mean lower exposure for a longer period
- We monitor the IM exposure for each relationship in triResolve Margin and compare it to your counterparty
- You set the local threshold and are automatically alerted when this is breached—allowing you to then prioritise the deferred documentation task

Once a local threshold is breached you can easily switch from IM monitoring to IM margining on triResolve Margin:

- IM margin calls are automatically generated and sent via AcadiaSoft's MarginSphere to your counterparties
- Upon agreement of margin call, a fully automated collateral workflow allows you to agree on collateral payment and send details to your chosen custodian or tri-party agent

The TriOptima solution is web-based. We can turn on your access instantly and you pay only for trades and agreements you put through the service. There are no upfront fees and no implementation, making IM compliance low cost and simple.

Regardless of your phase, planning should be your key priority. Phase 6 firms should not take this additional time to defer IM projects, instead firms should continue their preparation

Neil Murphy
Business manager
triResolve

Steve Russell/Getty Images

We the North

Richard Anton of CIBC Mellon highlights how the Canadian market has seen tremendous growth and innovation as financial market participants adapt to rapid technological advances

Amid chants of "We the North", this year the Toronto Raptors basketball team brought the National Basketball Association (NBA) championship outside the US for the first time in history. Just as we celebrated a well-deserved championship in the heart of Toronto's financial district—Canada's banks, asset managers, pension managers and other financial market stakeholders continue to capture global attention and gain prominence.

As has been the case for nearly a decade, market participants continue to take confidence from Canada's stable financial sector, robust market infrastructure, efficient settlement mechanisms, effective prudential regulatory environment and, of course, Canada's status as one of the few remaining triple-A rated sovereigns. Canada's other advantages continue to play strongly for global investors, including our wealth of natural resources, highly-skilled workforce and status as a growing nexus for innovation.

In line with this year's SIBOS theme, thriving in a hyper-connected world, the Canadian market has seen tremendous growth and innovation as financial market participants adapt to rapid technological advances.

Among the ongoing changes in investment operational models, evolution of global and domestic regulatory expectations, and the rising importance of new risk focus areas such as digital compliance and cybersecurity, Canadian market participants and regulators continue to work with supporting partners such as accounting firms, legal firms and compliance advisors to achieve robust and sound results. Canadian market participants across the investment lifecycle place a high premium on sound governance and strong risk culture; this, in turn, drives market providers, such as asset servicing providers, to continue to invest in reinforcing the protections and controls in place. Regulators and central banks also play a role in enhancing this stance.

Tax and the regulatory environment

The scale and sophistication of Canada's investment landscape are often met with high rankings globally for its stability and transparency. Current focus areas for Canadian regulators include digital compliance, integrated data requirements, payments modernisation, regulatory burden reduction, funding rules for defined benefit plans, changing conditions for alternative investments, and a number of general tax changes. As in many global jurisdictions, Canadian regulators and market stakeholders continue to place particular focus on global tax and regulatory changes.

When navigating international waters—across the Canadian border or any other border—institutional investors would be wise to consider the various risks that come with the territory. There are a number of aspects to take into consideration, such as foreign taxes, liquidity principles, political risks, currency risks, transaction costs, and management fees. Different markets have different tax codes and regulations that require compliance.

Investing in foreign markets has the potential to complicate an investor's tax position—including the potential to incur higher-than-necessary tax expenses if they do not understand the tax requirements or their obligations. This makes it all the more critical to work with asset servicing providers who have a strong on-the-ground presence to help clients better navigate and understand market expectations.

Canada has seen new proposed regulations for withholding on transfers of certain partnership interests with the US Treasury Department (Treasury) and the US Internal Revenue Service (IRS) issuing proposed regulations with guidance on how to apply withholding tax under US Internal Revenue Code (IRC) Section 1446(f) on a transfer by a non-US person of an interest in a partnership that carries on a trade or business in the US or otherwise realises income effectively connected with such a trade or business (ECI). These proposed regulations are potentially relevant to any non-US investor in such a partnership.

Canada's Department of Finance announced on 21 June 2019 that the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, also known as the multilateral instrument (MLI) sponsored by the Organisation for Economic Co-operation and Development (OECD), has been enacted into law in Canada.

Canada's regulatory regime itself is relatively complex, with a number of industry self-regulatory bodies, provincial regulators and federal regulators. A long-term initiative currently underway is the creation of a single securities regulator known as the Cooperative Capital Markets Regulatory System, which recently onboarded Nova Scotia as a regulatory market participant—joining the provinces of British Columbia, New Brunswick, Ontario, Prince Edward Island, Saskatchewan and Yukon as well as Canada's federal government as a participant in the system.

We also see international commitments to combat tax avoidance and a call for improved beneficial ownership transparency in order to further strengthen Canada's anti-money laundering (AML) or anti-terrorism financing (ATF). financing regime. For example, Financial Transactions and Reports Analysis Centre of Canada's (FINTRAC) assessment manual and compliance framework ensures and assesses compliance with proceeds of AML/ATF.

Trade settlements

Clearing and settlement trends within Canada include familiar themes, such as straight-through processing, data, and efficiency—and, of course, strong governance and risk mitigation. One focus area here in Canada is the area of overnight/repo rates, which continue to receive regulatory and industry attention. For example, a consultation paper from The Bank of Canada's deals with enhancements to the Canadian overnight repo rate average; another paper on behalf of Canadian Alternative Reference Rate (CARR) Working Group proposed improvements to overnight repo rate average risk-free interest-rate benchmark.

Another relevant development in today's post-London Inter-bank Offered Rate (LIBOR) world was the Bank of Canada's announcement of its intention to become the administrator of the Canadian Overnight Repo Rate Average (CORRA), a key interest rate benchmark for Canada's financial markets. In its announcement, Canada's central bank will take over this role when enhancements to CORRA take effect next year.

The Bank of Canada has worked closely with industry participants through the CARR Working Group to improve the methodology for calculating CORRA.

Fund administration with Canadian firms

Canadian market utilities are very robust and offer shared platforms for sales and distribution. Central utilities such as Fundserv connect fund manufacturers, distributors, intermediaries and service providers—delivering efficiency and connectivity for market participants. Of course, for global market players seeking to enter the Canadian market, the complexities and specifics of the local market further underscore the need to leverage on-the-ground knowledge from a local player.

We see shifts in reliance on partnerships as market stakeholders recognise the value of further collaboration between client firms and their providers in the area of fund administration. This collaborative approach is perhaps most evident in the technology area as participants openly and collaboratively explore changing access points, processes, interfaces and amalgamation of support and outsourced services.

As in many other aspects of the business, the world of Canadian fund administration is seeing an increased focus on digitalisation of processes and products in keeping with the themes of scale, risk mitigation, efficiency and cyber risk management. Likewise, the fund administration space continues to see increased pressures from regulators, boards and underlying clients to drive confidence, efficiency and results.

Canadian pension funds

Canada continues to extend its status as a global leader in the pension investment landscape, with our nation's pension plans among the world's most sophisticated. Large Canadian pension plans are characterised by a joint trustee model, with appointees from organisational and plan member stakeholders, and with plans operating independently from their sponsoring organisations (such as governments) and charged with taking a very long-horizon approach to pension investment management.

The success of the Canadian model can be attributed to the collaboration between diverse stakeholders as well as reinforcing a long-term cycle. This cycle consists of: the building and maintenance of trust among a diverse range of relevant pension stakeholders; adherence to a set of pension design and management principles that cut across a variety of pension disciplines, including governance, people and organisation, investment, administration, plan design and funding, and regulation and public policy; and results-focused execution that puts the principles into practice on a day-to-day basis and delivers superior results.

Canadian pension plans have driven success with a clear and long-horizon focus on portfolio growth. CIBC Mellon's research in this area—published earlier this year in the company's "Race for Assets: Canada vs. the World" paper—documents how pension plans and other institutional investors are leading a global shift toward investments in alternative asset classes such as real estate, infrastructure, private equity, private debt and hedge funds, supported by highly sophisticated, experienced and dedicated internal teams.

Large Canadian pension plans were some of the earliest and most consistent allocators to alternative investments, and that trend shows no sign of slowing. According to a survey we conducted, 58 percent of Canadian institutional investors intend to increase their allocations to alternatives, and 42 percent intend to maintain them—an even higher portion than global peers. Top trends in Canada include a focus on transparency, fee compression and a rising focus on environmental, social and governance factors.

Asset servicing in Canada over the next five years

Canada is a stable market, but that also means that some of the structural changes we see will continue going forward. We expect to continue to see an ongoing focus on efficiency and risk mitigation, coupled with expanding demand for new technology, efficient integration and ever-stronger cybersecurity. Clients will continue to focus on data and to identify opportunities to more efficiently and rapidly leverage it to drive and support decision-making. The ongoing march of optimisation will continue to push market participants to consider their internal operations carefully and how to enhance them, as well as whether they might be suitable targets for outsourcing.

Working with a sub-custodian, local presence matters

As always, a critical factor in the ability of asset servicing providers to support their global clients depends on on-the-ground expertise, in-depth knowledge of the local market, and active involvement with relevant local industry associations and self-regulatory groups.

As Canadian examples, these include the Investment Funds Institute of Canada, the Portfolio Management Association of Canada, the Mutual Fund Dealers Association, the Pension Investment Association of Canada, the Canadian Association for Alternative Strategies and Assets and the Association of Canadian Pension Management, to name a few. Institutional investors should expect their local asset servicing provider to play an active role in industry associations and working groups, in an effort to help bolster and shape industry practices within the domestic market.

Additionally, a reliable provider should be expected to keep well appraised of global regulatory and industry changes as they relate to the local market. In addition to providing outstanding service, dependable execution and knowledgeable insights supported by knowledgeable subject-matter-experts at all levels of the organisation matter.

The Canadian market still retains the fundamental character that it is globally known for, anchored by strength, stability and a prudent regulatory environment—together with pride in our strong financial service segment, world-leading pension plans and, of course, one basketball team.

The Canadian market still retains the fundamental character that it is globally known for, anchored by strength, stability and a prudent regulatory environment

Richard Anton
COO
CIBC Mellon

20 years of fund administration

Kelly Ashe of Pacific Fund Systems discusses how the business has changed over the last 20 years and what's next on the agenda

PFS-PAXUS offers a truly unique and revolutionary proposition in the niche financial services sector of fund administration. PFS-PAXUS integrates all of the fund administration processes that are normally performed on multiple systems on to one single 'one-stop-shop' solution, including: securities portfolio reconciliation and valuation, full multi-currency general ledger, accounting automation, consolidation of multi-strategy and multi-class assets, automated fee calculation, NAV calculations, shareholder processing and registry services including a full suite of investor communications, and automated global regulatory reporting and compliance functionality.

PFS-PAXUS introduces a vast range of administrative efficiencies, including tangible and immediate benefits that reduce the risk of error, result in faster and more accurate completion of fund valuations and processing of shareholder transactions by its users, offering fund administrators a simplified technical landscape and the ability to administer both simple and complex investment structures while vastly reducing operating costs.

PFS-PAXUS is also complemented by PFS-CONNECT, a cutting-edge web portal software that enables PFS' clients to provide their fund clients and the fund's underlying shareholders with a fully web-enabled reporting and transactional tool, allowing the Fund Managers and their investors to self-service and access their fund data securely in their own time.

PFS was formed with one objective in mind—to build an all-encompassing, dedicated fund administration solution to form the backbone of any fund administration service providers' business. PFS-PAXUS provides this all-encompassing solution with the highest levels of functionality and at a highly competitive price point which is proven to empower our clients to increase profitability while exceeding the expectations of their underlying clients.

Our growth has also been aided by the growth of our existing clients; our client list includes industry-leading fund service providers who operate throughout the globe, including the world's largest independent fund administrator and major global investment banks, many of whom have been actively acquiring other service providers in a wave of industry consolidation and have transitioned the newly acquired business onto PFS-PAXUS and PFS-CONNECT, evidencing further testament to the quality of our products.

How has the business changed in recent years?

Pacific Fund Systems was incorporated nearly 20 years ago and has continued to grow year-on-year since its launch and offers new and

Sergey Nivens/shutterstock

existing clients a long-proven track record of maintaining stable and current software functionality, supporting fund administrators who wish to offer a premium service to fund managers across the globe.

The PFS team has been built from inception utilising the skills of an array of the highly experienced fund industry and software professionals. This focus on hiring the premier talent in the industry has been adhered to during the recent expansion of the business to ensure the highest levels of expertise in-house continue to mirror the rapid growth of our expanding global client base. Each member of the team brings a wealth of core fund industry knowledge to support PFS' sole focus of supporting our clients via the provision and support of world-class fund administration technology.

Over the last four years, we considerably expanded our European office which now provides a full round-the-clock PFS expert support service to our clients, as mirrored by our Australian offices. We have also targeted growth via a complete revamp of our marketing and sales channels—again employing experts in the industry who fully understand the needs of our clients and can easily convey the comparative benefits of our systems. We pride ourselves on having a personal connection with our clients by providing tailored support and advice and aim to always go the extra mile to meet and exceed their exacting demands.

What are your most recent product innovations?

We actively set out to expand our clientele by capitalising on major industry trends and revolutionising our approach to business development. We have taken maximum advantage of developing software distribution and deployment via cloud-based technologies and also developed extensive new functionality, including complex private equity, closed-ended automation, in order to allow our clients to take advantage of record capital flows into this strategy which has, in turn, resulted in increased demand for specialised administration services to support this asset class.

In order to provide new and existing clients with an option to take advantage of a world-class cloud-based software-as-a-service (SaaS) vendor-hosted deployment solution, we have developed PFS-CLOUD. Partnering with best-of-breed technology providers, PFS-CLOUD allows our clients to benefit from all of the functionality that PFS-PAXUS and PFS-CONNECT have to offer, without any of the IT overheads. PFS-CLOUD provides this at a lower cost and without any of the burdensome IT and business overheads which are inevitable when clients self-host a sophisticated system like PFS-PAXUS. PFS-CLOUD includes infrastructure management, optimised cybersecurity and real-time back up of data for immediate failover reactivation in the event of a disaster recovery situation.

The product was developed over 18 months and was launched late last year. Early take-up has exceeded all expectations as the response from clients and prospective clients have been overwhelming, with immediate sales and a growing pipeline as a result.

Advancements in cloud technology and virtualisation provide far greater scalability, accessibility, redundancy and security than traditional 'on-premise' server technology, and by offering a vendor optimised SaaS solution we allow our clients to reduce their in-house and third-party IT infrastructure burden, leaving them free to focus their resources on direct operations providing a strategic competitive edge. In addition to the launch of PFS-CLOUD, PFS-PAXUS has undergone a number of major developments in response to market needs, including functionality to accommodate cryptocurrencies and crypto-funds, as well as building the tools and reports needed to comply with major, and sometimes global regulations, including The Foreign Account Tax Compliance Act (FATCA), Common Reporting Standards (CRS) and most recently the EU General Data Protection Regulation which became law in May of last year.

The ongoing challenge for administrators to improve their levels of automation, transparency and efficiency by embracing new technology, while simultaneously responding to pressures on reducing fees is both substantial and inescapable.

The combination of increasing client and regulatory demand for ever more complex reporting and oversight has long since surpassed the point where the industry could effectively function without the levels of automation provided by technology. The speed at which technology is advancing only exacerbates the need to maintain pace; any resistance to or delay in adopting change will quickly result in an inability to remain competitive—and this has aided our growth, as an investment in an application like PFS-PAXUS effectively futureproofs the servicing offering of the fund administrator.

Looking to the future, what is next?

With the addition of PFS-CLOUD and the continued development in response to market demand, we believe there is currently no better multi-functional market-wide product that can compete head-on with PFS-PAXUS, as a total fund administration solution at an extremely competitive price point.

Investment flows into alternative investment strategies continues to rise globally, resulting in stable and sustainable target markets for our business.

Our objective today remains to support our clients in all that they must accomplish; helping them to navigate and automate the ever-increasing regulatory and market demands of an ever-evolving funds industry. PFS-PAXUS provides our clients with efficiencies which enable them to effectively grow their client base while maintaining the highest levels of service to a vast range of fund structures and investment strategies.

Servicing a global client base and researching a prospective client base that literally spans every country in the world keeps us very busy.

What should a fund administrator expect from their software vendor?

Satisfying customer expectation is ultimately how we all stay in business, however, to thrive a vendor needs to consistently go above and beyond and deliver a service and product range that their clients cannot do without, and do not want to do without.

As a software company that is focused exclusively on the fund servicing industry, we are now in our 20th year of successfully working with clients who share the same dedicated industry focus.

Attaining market share in many of the main fund domiciles and growing a client base can only be achieved if clients are happy and the product retains its competitive edge—and we like our clients to be happy.

The speed at which technology is advancing only exacerbates the need to maintain pace; any resistance to or delay in adopting change will quickly result in an inability to remain competitive

Kelly Ashe
Head of sales and marketing
Pacific Fund Systems

Transformative thinking in trade and supply chain finance

With advancements in digitalisation and DLT, Commerzbank's Enno-Burghard Weitzel elaborates on how the trade finance industry has its sights set on a future where seamless, fast and transparent transactions via interoperable platforms are the norm

Thanks to the advancements in digitalisation, data-driven processes and distributed ledger technology (DLT), the trade finance industry has its sights set on a future where seamless, fast and transparent settlement via interoperable platforms is the norm.

But concentrating on long-term objectives, though never to be discouraged, can leave corporate customers asking: "What about the here and now?" Certainly, such concerns are understandable since, today, paper-based transactions can cause material delays to international commerce.

For instance, let's imagine a shipment of goods from a Mittelstand manufacturer waiting to be discharged in Singapore by the buyer. Before this can happen, the banks of both the supplier and buyer must check paper versions of the Letter of Credit documentation—a process that can take up to 10 days. While the shipment is waiting, additional storage costs are incurred at the port, thus adding possible strain on the relationship between buyer and supplier.

Banks are working hard to prevent these bottlenecks in the supply chain. At Commerzbank, we do this in close collaboration with our corporate clients. After all, only by truly understanding the pain points that companies are faced with during their everyday operations can we make material improvements. Moreover, we maintain an ongoing dialogue with our clients to ensure that we aren't merely innovating for innovation's sake—instead, we make sure that we are addressing the greatest strains that companies encounter. To this end, we are focused on two key areas.

First, we are committed to partnering with specialist fintechs to harness existing technologies that already have widespread applications in other fields—such as optical character recognition (OCR)—within the banking world. Second, we want to promote the advancement of entirely new products and services based on technologies such as DLT in order to ease the evolution of a digitalised trade finance space.

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Transformations are already in play

We can delve into the solutions that are already providing respite to the corporate customer today; and those that hold promise for changing trade settlements in the years ahead. The first is automation in trade finance, which represents a form of digitalisation through which we are blending new technologies into traditional processes. Through a strategic partnership with Conpend, a specialist fintech, Commerzbank has begun to automate trade finance processing. Starting with the automation of certain anti-money laundering (AML) checks, Commerzbank aims to have automated 80 percent of compliance pre-checks by 2020. Once completed, this will save time for all parties without compromising any regulatory commitments and, for the corporate customer, automation should lead to faster settlement, as well as error-free processing.

Second, Commerzbank is one of the founding banks of Marco Polo, the fastest-growing trade network that connects the trade data held by banks, corporates and third-party service providers involved in a transaction via application programming interfaces (APIs) and Corda blockchain technology.

Proactive collaboration has already led to significant breakthroughs: in August, Commerzbank and Landesbank Baden-Württemberg (LBBW) completed a real-time pilot transaction between Voith and KSB SE. The pilot proved for the first time that a logistics provider (in this case, Logwin) can trigger a payment obligation in favour of the supplier via the Marco Polo network, even though in this case the data transfer for this transaction was executed via the DLT platform simultaneously to the settlement of the real trade transaction. This follows a similar pilot in March involving the same two Germany-based corporates, which saw two commercial transactions executed via the Marco Polo network and, importantly, financing formed part of this pilot. We continue to lend our support to R3 and TradeIX through the Marco Polo initiative and have long recognised the potential that distributed ledger technology holds for our corporate clients—namely increased security, transparency, efficiency for payment processing and straightforward financing in favour of the supplier. The goal for future development is to expand the Marco Polo network, bringing additional relevant parties for trade transactions on board—such as insurance companies, inspection authorities, local chambers of commerce. In this way, the entire supply chain can swiftly and digitally be mapped.

Multi-bank platforms for supply chain finance (SCF) are becoming increasingly common for larger multinationals and is part of the introduction of SCF programmes on both payables and receivables sides—many of which are now provided by multi-bank technology platforms. Thanks to this development, rather than one bank delivering their own proprietary technology platform, corporates can access financing from more than one financial institution—and all following just one simple know-your-customer (KYC) onboarding process. This single-platform approach affords corporates a raft of advantages. Not only does it improve the corporate access to larger volumes of financing, it also leads to greater transparency over best-value pricing and greater risk diversification. Since multiple banks are involved, corporate clients can glean insights from each of these institutions, according to their respective areas of expertise.

Further progress requires integrated thinking

The initiatives mentioned go some way to improving trade finance in the here and now. But, for trade finance to be truly transformed for the corporate, the trade finance industry must work together to achieve the following:

Interoperable trade finance platforms: In trade finance, corporates are already beginning to demand a world where invoices on enterprise resource planning (ERP) systems can be readily extracted for financing without any need for paperwork.

Standardised global governance of commercial transactions: Before interoperable platforms can become effective, what first must be established are valid obligatory standards for use by all trade parties in a supply chain. Of course, this requires buy-in at various levels, from corporate, to financial institutions and, ultimately, from inter-governmental institutions.

For this reason, we are fully behind the Universal Trade Network (UTN), which we consider a significant step forward in the quest for establishing industry standards. It's an industry initiative focused on improving interoperability between the various trade finance platforms currently emerging. In short, the UTN's end goal is to help introduce a "network of networks"—an ecosystem where every trade finance platform can communicate with another.

In addition, the UTN seeks to encourage the creation and adoption of open standards and protocols. Its members thus far comprise those banks involved in the Marco Polo project, but the grouping is now looking to attract other participants in the supply chain—corporates, in particular.

The further commercialisation of emerging technologies: It's critical to learn how to turn the raft of latest innovations—DLT, smart contracts and the internet of things—into market-ready solutions for the trade and supply chain finance worlds.

To serve this purpose, Commerzbank recently became the first bank to set up an Enterprise Lab at the Fraunhofer Institute for Material Flow and Logistics IML in Dortmund. An extension of the partnership that began in 2017, the Innovations Lab aims to analyse and predict how financial and physical supply chains may operate in 2025. This insight puts us in a prime position to ensure that the innovations and decisions we make today will address the challenges our clients face in their operational landscapes tomorrow.

Welcoming the next era of trade finance hasn't been an easy route; and there are many miles left before we reach our destination. But we at Commerzbank strive to make it a smooth journey not only for tomorrow's travellers but today's, too.

Welcoming the next era of trade finance hasn't been an easy route; and there are many miles left before we reach our destination

Enno-Burghard Weitzel
Global head product management trade finance
Commerzbank

Straight to Moscow and beyond

Transactions in Russian securities can now be settled directly via Raiffeisen Bank International's Vienna operations centre. Attila Szalay Berzeviczy and Evgenia Klimova explain more

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Great news for investors in the Russian capital market: foreign investors no longer need to appoint a local operator to take care of their settlement and safekeeping tasks but can go directly through the GSS Operations Centre created by Raiffeisen Bank International (RBI).

For that purpose, RBI opened a foreign nominee securities account with the National Settlement Depository (NSD), the central securities depository of the Russian Federation. RBI group securities services (GSS) is proud to be the first foreign custodian in the history of this sizable market to entertain direct connectivity with the local central securities depository (CSD).

After an evolutionary process over three years, in close co-operation with the NSD, the new platform will be up and running in Q4 2019. Installing this new direct connection to Moscow was only possible after changes to the formerly strict domestic securities market legislation.

In his capacity as a member of the NSD's International Consulting Committee, Attila Szalay-Berzeviczy, head of group securities services at RBI, has been advocating the necessary regulatory changes. On top of that, Raiffeisenbank Russia's head of GSS, has recently joined the NSD's Customer Committee, in which the main market participants have seat and vote on important questions related to custodial services.

From the clients' perspective, this direct line to Moscow means not only less administrative steps and mitigated risk, but also shorter deadlines and minimised cost. The fee structure of the NSD allows users of the GSS Operations Centre to benefit from a group fee at preferred rates.

RBI will be the first foreign bank (non-international CSD) participant of the NSD, much to the benefit of its clients all over the world. This way, RBI will contribute to the inflow of capital to the Russian securities market.

Following the customer

Depending on client demand, RBI stands ready to enlarge its international network of direct settlement partners. The next obvious destinations of the GSS Operations Centre are located in Central Asia.

Direct connections to the local CSDs of Kazakhstan and Armenia are already up and running whereas first arrangements with Azerbaijan's market infrastructure have already been made, and Uzbekistan may be following suit.

Entering the Azerbaijan capital market

This past summer, several important steps were made in this direction. On the occasion of the Improvement of Azerbaijan Capital Market Infrastructure gathering held at the Baku Boulevard Hotel, the Financial Markets Supervisory Authority of Azerbaijan (FIMSA) and RBI signed a memorandum of understanding. It is directed at the improvement of the capital market, particularly in the field of depository including clearing and settlement of transactions.

The document was signed by Ibrahim Alishov, acting chair of FIMSA's executive board, and Szalay-Berzeviczy. In order to attract foreign investors to Azerbaijan, FIMSA and RBI intend to entertain nominal custody accounts to be mutually established by the National Depository Center (NDC), and RBI.

This link will enable foreign investors to remotely access the market via RBI's nominal custodial accounts with the NDC and advanced clearing settlement systems.

As a result, foreign investment activity is expected to gain momentum, which can potentially reduce Azerbaijan's dependence on oil and improve the balance of payments.

Going ahead in Uzbekistan

In June, Raiffeisen Bank International hosted the Bank Summit in Tashkent, which gathered representatives of more than 70 banks and financial markets organisations, including the Ministry of Finance and Capital Market Development Agency.

RBI speakers shared their experience in various banking products such as DCM, foreign exchange, trade finance, custody and brokerage. The most important topics were compliance and implementation of best practice in Uzbekistan.

GSS was represented by Evgenia Klimova, head of GSS Russia. In her meetings with Capital Market Development Agency and Uzbekistan Central Securities Depository (UCSD), she discussed the development of the financial market, attraction of issuers and access for foreign investors.

The UCSD presented its extensive development plan, which includes an expansion of the range of services including cash account opening and clearing services, the integration into the global financial infrastructure by establishing the links with top depositories and clearing companies as well as implementation of the ISO 20022 standard for interaction between market participants.

The GSS operations centre: An unparalleled functionality

The principle for users of all markets covered by the GSS Operations Center is simple: it is sufficient for clients to have one account at RBI in Vienna to be able to settle transactions in various financial instruments directly. While this shortcut is standardised and fast, clients will not miss the comfort of the services they are used to. Each market continues to be equipped with market experts, some of them true veterans, who will assist in individual cases. At the same time, the administrative centre in Vienna has been stocked up by international specialists, who take care of settlements and asset servicing for the entire region.

On top of all the advantages stemming from reduced bureaucracy and operational efficiency, clients fully benefit from RBI's Austrian credit rating.

Setting a new standard

At the moment, the GSS Operations Centre covers Austria, Albania, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia. As much as the Russian market was positively surprised that RBI made its visionary idea of a direct link come true, the GSS Operations Centre has created new standards in all the markets it is operating in.

Acknowledging that covering the Central and Eastern European region, with its many different nations, legislations, languages etc. can be challenging and maybe even inefficient for global players, RBI GSS is spearheading a new, simplified approach.

This offer has been meeting strong interest by market users. Their feedback is overwhelming. It is good to know that we are on the right track. The fast one!

Attila Szalay Berzeviczy
Executive director, head of GSS
Raiffeisen Bank International

Evgenia Klimova
Executive director, head of GSS
Raiffeisen Bank International


At your side worldwide.
Leverage our worldwide presence to increase your corporate success.
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Despite the challenges facing the German banking industry, there are bright spots, notably in serving the local and international needs of Mittelstand clients, and in the ability to provide more efficient and better service to retail and corporate clients through online channels. Germany's best bank, Commerzbank, is focusing on both these opportunities.
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