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Investigating the Nordics

Will Brexit bring administrative or custodial opportunities?

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A round-up of the SWIFT Business Forum London

Deutsche Bank: Improved payments working with SWIFT

Deutsche Bank has “significantly improved payments” for its clients by investing in IT and cooperating with SWIFT.

Deutsche Bank has been using SWIFT’s global payments innovation (gpi) service for international payments since November last year. The introduction of the gpi service meant that for the first time, clients could obtain real-time information on the status of their payments. Deutsche Bank has reported that it executes some 90 percent of all gpi payments in less than 24 hours and nearly half of all payments in under 30 minutes. Some payments are executed in less than one minute, according to Deutsche Bank.

Michael Spiegel, head of cash management at Deutsche Bank, said: “International payments are executed faster, more securely, and with more transparency.”

He added: “This significantly eases the burden on company finance departments in particular.”

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KD Funds and Peakside Capital launch Slovenia's first regulated AIF

KD Funds and Peakside Capital, an international real estate investor, have launched the KD Adriatic Value Fund, the first regulated real estate alternative investment fund in Slovenia.

The new fund will leverage the combination of Peakside's real estate market knowledge with KD Funds' experience in managing institutional real estate investments offered by the two firms joining forces.

To date, the fund has raised commitments from regional institutional investors giving it a buying power in excess of €50 million. Investors are expected to benefit from the yield gap in Slovenia's markets, relative to other European real estate markets.

The fund has already made its first acquisition, with the purchase of the Tivoli Center, an office building in Ljubljana for €13 million, reflecting a net initial yield well in excess of 8 percent.

The property, located in prime downtown Ljubljana, provides a gross lettable area of around 8,000 square metres across two connected buildings.

Current tenants include international law firms, as well as small- and medium-sized enterprise firms.

Luka Podlogar, the president of the management board of KD Funds, said: "We are pleased to have closed the first acquisition of a commercial real estate asset for our new real estate fund, proving ourselves as the pioneers of development in the real estate fund sector in Slovenia, too."

Stefan Aumann, managing partner and founder of Peakside Capital, commented: "This acquisition is an excellent start for the Adriatic Value Fund."

"This is a stepping stone in establishing a larger portfolio in the region that will offer attractive returns to the fund's investors."

KAS BANK revolutionises voting rights with blockchain

KAS Bank has released Voteroom, a new app developed by the company's in-house innovation lab.

According to KAS Bank, the blockchain technology Voteroom will streamline the complex voting process making it more secure, transparent and more efficient, to transform how shareholders vote.

The programme, built using the Ethereum framework, will be put to the test for the first time at KAS Bank's general shareholders meeting on 25 April.

Once the testing phase is complete, the app will be available to listed companies to purchase. It will be free for shareholders to use.

Pat Sharman, UK managing director of KAS Bank, commented: "Policymakers and trustees are increasingly looking to improve governance standards of pension schemes and we want to assist with this challenge across the investment process."

She added: "Upholding shareholder's democratic voting rights, we identified the gap for improved efficiency and transparency when communicating shareholders' decisions on investment policies."

"This initiative demonstrates our commitment to innovation and improving governance standards via the use of technology."

"It is encouraging to see the progression of further positive pioneering data services being developed by our forward-thinking KAS LAB, not only bringing institutional schemes into the technological age but ultimately making the lives of shareholders' far easier."

Clearstream goes live with new InvestorCSD model

Clearstream has moved the Belgian, Dutch, French, Italian and Luxembourg markets onto its new TARGET2-Securities (T2S) investor-central securities depositories (ICSD) model.

GFSC signs MoU with Bank of England

The Guernsey Financial Services Commission (GFSC) has signed a memorandum of understanding (MoU) with the Bank of England (BoE).

The MoU will allow both parties to share confidential information about regulated entities and formally co-operate on other supervision activities. The new agreement is a reaffirmation of a long-held relationship between the Guernsey regulator and the BoE's Prudential Regulation Authority (PRA).

The PRA is a part of the BoE and responsible for the prudential regulation and supervision of banks, insurers and major investment firms. The agreement was signed by William Mason, GFSC director-general and Sam Woods, deputy governor at the BoE for prudential regulation and CEO of the PRA.

Commenting on the signing of the MoU, Mason said: "There is a very productive and good relationship between the GFSC and the PRA, and we see this confirmation as good news for the Bailiwick, demonstrating that we are regarded as credible operators by our main counterparties."

He added: "The MoU underlines the longstanding regulatory cooperation which has existed for a considerable period of time between the UK and the Bailiwick."

"It has been signed in the spirit of mutual cooperation and information exchange seen as crucial by the G20 countries and international standard-setters for financial services supervisors."

Dominic Wheatley, chief executive of GFSC, commented: "A good relationship between regulators in Guernsey and the UK is important for financial services in the island and particularly as both parties seek to reposition the trading relationship post-Brexit."

According to the European Central Bank, approximately 80 percent of the custody and settlement volume of T2S markets is now available through Clearstream's ICSD service.

The central securities depositories (CSD) model allows its customers to access all T2S markets, in central bank money, and the international market through a single point of access, on a market-by-market basis.

Further T2S-connected markets are expected to follow over the coming months.

Philip Brown, co-CEO of Clearstream Banking, said: "In order for our customers to get the best out of T2S, we have developed an entire suite of value-accretive services in close cooperation with the market. Our new operating model represents the first genuinely cross-border settlement service augmented with asset servicing functionalities."

He added: "Key benefits include streamlined connectivity, harmonised asset servicing across CSD and ICSD accounts for all markets, partnerships with local agents to ensure best possible asset servicing for T2S-in markets and, critically, true collateral mobility and efficiency across T2S and ICSD markets."

Alain Pochet, head of client delivery at BNP Paribas Securities Services, commented: "We are pleased to support Clearstream with this initiative and to help bring more cross-border interconnectivity to European financial markets."

He added: "By engaging in partnerships such as this, we aim to demonstrate our commitment to providing the highest levels of client service and our technical capacity, while also continuing to develop our customised solutions."

GlobalData: Robo-advisors offer low-cost growth opportunities

"For investment managers looking to cost-effectively develop their own distribution channels without disrupting existing relationships, robo-advisors offer a great option", according to Andrew Haslip, head of financial services content for Asia Pacific at GlobalData.

GlobalData suggested that it expects international asset managers to build similar distribution channels to that of the Nomura and 8 Securities partnership.

Nomura Asset Management recently acquired the majority stake in Tokyo-based robo-advisory services provider and a minority stake in Hong Kong headquartered parent company 8 Limited for $25 million.

GlobalData explained that this move sets a precedent for international asset managers to build distribution channels via the purchase of other robo-advice financial technologies.

Chloe, 8 Securities' robo-advice platform, was the first in Asia to be offered via a mobile app, which currently has a presence in Hong Kong and Japan.

According to GlobalData, the investment from Nomura reflects the promising growth and potential of robo-advisory services in Asia, and marks one of the continent's largest fintech capital injections this year.

In addition, as per the company's 2017 Mass Affluent Investors Survey, only 1 percent of investors said they used robo-advisors as their main investment channel, compared to 27 percent of millennial investors who said they had used one.

GlobalData stated that with millennials fast becoming the economically dominant age in many key markets, reaching out to them effectively has risen in investment managers' priorities.

Haslip concluded: "[Robo advisors] can draw in new, younger clients that want purely digital solutions."

"Other large-scale asset managers will need to make similar investments in proven robo-advisors if they want to compete for the next generation of investors."

"By buying into a proven platform that works in Asia, Nomura is explicitly targeting millennial investors, as the investment gives the company a digital distribution channel to reach out to this demographic."

Deutsche Bank teams up with Selwood for UCITS platform

Deutsche Bank's liquid alternatives group has teamed up with Selwood Asset Management to launch a market neutral credit strategy on Deutsche Bank's UCITS platform.

The DB Platinum IV Selwood market neutral credit UCITS launched in April and has gathered at launch an asset under management total of $300 million.

The fund is managed with a market neutral risk profile. It targets a net return of 6 to 7 percent and a sharpe ratio of two.

The strategy focuses on capturing historical dislocation in the credit space and aims to deliver stable and uncorrelated returns to traditional asset classes.

Manos Chatiras, head of liquid alternatives at Deutsche Bank, said: "With the alternatives UCITS industry maturing allocators need to have a diverse range of alternative strategies."

He added: "The Selwood market neutral credit UCITS fund is further proof of our commitment to our investors for orthogonal returns. We are pleased to be partnering with Sofiane and his team in delivering their expertise in UCITS."

Sofiane Gharred, founder and CIO at Selwood, commented: "We are very pleased to team up with Deutsche Bank's liquid alternatives group and offer UCITS investors a truly differentiated approach to credit investment."

Irish Funds panel: Get ready for Brexit now

Some 70 percent of audience members at this years' Irish Fund's London Alternative Investment Seminar said they were ready to implement their post-Brexit plan.

The topic of Brexit featured heavily across keynote speeches, panels and audience questions at this year's seminar.

In a panel discussion entitled 'Brexit SOS', one panelist said that because 265 UK alternative investment funds are connected with, or operating Irish funds, there could be significant delays if all managers leave their Brexit plan to the last minute. She warned that the time to get ready is now.

Another panellist said that Brexit will affect Ireland especially, as the UK is Ireland's largest trading partner. Another panellist claimed that the UK could become a 'fake Norway'.

In the same panel, one panellist said: "Some [political] momentum is building up, which is going somewhat unnoticed, unless we see some major changes five years of negotiation will anticipate towards something on the table, though it may not be as radical—adding coordination and cooperation is key."

She continued: "In relation to financial services, Brexit is such an anomaly. Since the financial sector is so far-spread across the world, it will be manageable."

The panel seemed united in the reasoning that "if politicians fail, regulators will step in".

Vela's SuperFeed now available via BT Radianz cloud

Vela's market data feed, SuperFeed, can now be accessed via the BT Radianz Cloud, a financial markets cloud community.

SuperFeed offers customers a single source for data feeds and can now be delivered as a managed service via the Radianz Cloud, meaning customers do not require investment in their own back-office infrastructure.

The data feed is fully compatible with Vela's existing software which enables customers to design bespoke systems to meet their business requirements.

According to Vela, members can reliably access thousands of applications and services via SuperFeed from more than 400 providers.

David Payne, managing director of Radianz Services at BT, said: "Customers accessing Vela's SuperFeed via our highly-secure and resilient Radianz Cloud can benefit from lower costs and reduced operational risk. At the same time, Vela benefits from a ready-made market place with thousands of clients in the capital markets ecosystem as it drives for growth for its managed services business."

He added: "This is a great example of how both customers and providers can benefit from joining the Radianz Cloud community with high-performance service, accessibility and choice."

Ollie Cadman, head of business operations at Vela, commented: "Vela's SuperFeed is designed to simplify and speed up clients' access to data via a single source."

"This eliminates the need for clients to directly source various, disparate market data feeds as well as alleviate the ongoing mandated overheads of managing the infrastructure and exchange-driven changes."

He added: "By joining the BT Radianz Cloud community, Vela's market data feed clients gain access to a range of connectivity and hosting solutions from one of the world's largest secure networked financial communities."

Securities services revenue boost at JP Morgan Chase

Securities services revenues at JP Morgan Chase rose 16 percent in Q1 2018, according to the bank's Q1 results.

The bank also reported that assets under management of $2 trillion rose by 10 percent in the period.

Jamie Dimon, chairman and chief executive officer said: "Our multi-year investments in treasury services and securities services are paying off, with revenue up 14 percent and 16 percent in those businesses."

He added: "We have been outpacing the industry on consumer deposit growth while attracting significant net new money and growing client investment assets 13 percent. Card sales and merchant processing volume both grew double digits, reflecting our investments in new products and innovation focused on our customers' needs. Our asset and wealth management business delivered strong results, with long-term net inflows this quarter across all regions, even as volatility returned to the market."

FCI Advisors digitises client engagement with InvestCloud

FCI Advisors has digitised its client engagement with financial technology InvestCloud.

FCI Advisors has been using InvestCloud's document storage apps since 2014, however, it has now added a new functionality from InvestCloud to give clients the ability to interact with their wealth in more ways online.

The new component allows clients to monitor allocations, securities and transactions, and to review performance.

The client portal also stores relevant documents and provides news content so clients can access information in one place.

The digital platform is powered by the InvestCloud Digital Warehouse, which aggregates data from multiple systems and custodians, integrating it into information that is securely stored.

Rachel Stewart, vice president of marketing and communications at FCI Advisors, said: "Digital isn't just for the latest generation of investors—many clients are already looking for new ways to interact with their wealth."

She added: "This is what the InvestCloud digital platform does for us—allowing us to serve today's investors and give them the tools they need while also providing for the next generation of clients. It allows us to further our mission to counsel investors, steward their assets and create peace of mind."

John Wise, co-founder, CEO and chairman of InvestCloud, commented: "There is a desperate need for the wealth industry to go digital. This isn't a future problem, this is an issue that is already threatening the bottom line for wealth managers."

He added: "We are proud to work with forward-thinking firms such as FCI Advisors. By combining their long heritage and expertise in financial advice with an intuitive, involved and individual digital platform, they are leading the way in building better relationships with their clients and delivering superior performance."

Euroclear France: French fund industry to promote structural changes

Euroclear France, in collaboration with management consultancy Ailancy and members of the French financial services community, have agreed a set of recommendations to increase the attractiveness and competitiveness of the French fund distribution model.

The coalition's report identified opportunities for the funds markets, such as know your customer and direct distribution, as well as suggesting more transparency along the holding chain and more development of cross-border distribution. The report proposes developments to increase attractiveness and competitiveness of the French fund distribution model, consulted asset management companies, market infrastructures and transfer agents.

It considers how new technologies might play a role in making some processes more efficient, as well as exploring the opportunity of using fund shares for collateral management purposes.

The French Asset Management Association and The French Association of Securities Professionals have both supported the initiative.

Brigitte Daurelle, CEO of Euroclear settlement for Euronext-zone securities and central securities depositories, commented: "This new collaboration, that as a market infrastructure we wanted to have, aims at supporting the development of the asset management industry in France."

She added: "This report is the first step of a process that will allow to further increase attractiveness of the French fund distribution model to meet the evolving needs of both issuers and investors."

Pierre Monteillard, associate at Ailancy, said: "We believe that the French market, which comprises major industry players and has engaged many promising initiatives, is able to provide solutions that will become a reference at global level."

"The report allows to define and detail the required industry, regulatory and technological initiatives to fulfil this strategic ambition."

Saxo Bank: Capital markets are in a zombie-like state

Modern capital markets are in a "zombie-like state", with low volatility and extreme valuations in all assets, according to Saxo Bank.

Saxo Bank was speaking in its Q1 2018 quarterly outlook for global markets and key trading ideas,which covered asset classes, such as foreign exchange, equities, commodities and bonds as well as tactical asset allocation models.

Saxo Bank said: "The key to success in tactical asset allocation is to identify the asset classes which relatively outperform during the different periods of an economic cycle."

Anders Nysteen, quantitative analyst at Hoist Finance, said: "It is important in this environment to have a portfolio not just with 'soft' assets but to be prepared for sudden market changes with a more diversified portfolio including some of the 'hard' assets such as commodities, real estate, and emerging market exposure."

He added: "Saxo Bank's forecast is that credit spreads will widen and the yearly change in gold prices will stay positive."

"However, the consensus is looking for credit spreads to remain low and not expanding much while inflation will pick up."

Commenting on commodities, Saxo Bank said that investors will continue to see safety in gold, though the "turbulent turn that geopolitics took in recent weeks [this has had a severe impact on commodities".

Ole Hansen, head of commodity strategy at Saxo Bank, commented: "Commodities got off to a strong start in 2018 but have since come under heavy pressure as rising trade tensions threatened to further undermine already slowing economic growth momentum."

He added: "The focus on a commodity-supportive rise in inflation has also faded with current and forward projections not showing much sign of a pickup in global price pressure."

E&Fs benefit from buoyant US equity market

Small and large endowments and foundations (E&Fs) experienced a 14.57 percent one-year average return due to the bull market, according to a Asset Strategy View report by BNY Mellon.

In its report, BNY Mellon suggested that the buoyant US equity markets benefit E&Fs.

BNY found larger institutions outperformed smaller institutions by just over 1 percent in nearly every sub-asset class.

Larger E&F funds invested more heavily in alternative investments such as hedge funds and private equity asset classes.

Institutions with less than $1 billion in assets experienced strong annual returns of 14.15 percent compared to those with more than $1 billion in assets at 15.2 percent.

The report showed that over the last five years, smaller E&Fs increased exposures to fixed income increased 21 percent, while equities increased by 8 percent while lowering exposures to alternatives decreased by 15, particularly within private equity and real estate.

Larger E&Fs have tended to maintain exposures to alternatives (+5 percent) and equity (+1 percent), while significantly reducing their holdings in fixed income by 32 percent.

Frances Barney, CFA, and head of global risk solutions at BNY, said: "Institutions with smaller asset bases tend to have fewer in-house investment professionals, that can sometimes make it more difficult for them to access alternative investment options that are leveraged by larger endowments and foundations."

Barney added: "While endowments and foundations of all sizes experienced strong performance in 2017, they seem to have a shared concern about increased market volatility, evolving tax and regulatory reform, and anticipated interest rate increases in 2018."

Remarking on equities, Saxo Bank said the battleground in Q2 will be that of fundamentals against the outlook, in that equities are under pressure from a potential trade war to disappointing macro numbers and technology regulation.

The financial technology specialist said: "Caution is critical in such an environment and portfolio diversification and defensive choices therefore make sense."

Peter Garnry, head of equity strategy at Saxo Bank, added: "Portfolios should be more balanced and tilted towards defensive industries in the portfolio's equity exposure."

Elsewhere, Saxo Bank said cryptocurrencies "fell back to earth with a bang in the first months of this year, having enjoyed exponential growth in 2017".

"However, the bank concluded that the situation "remains fragile, given the outlook to increased regulation and social media advertising bans."

"That said, we can't rule out the possibility of a comeback."

Jacob Pouncey, a cryptocurrency analyst, said: "If there is a significant pullback in the equity markets, there will be an inflow of money into uncorrelated assets, or assets that lie outside the reach of the traditional financial system in which cryptocurrencies are a potential alternative."

Commenting on this quarter's outlook, Steen Jakobsen, chief economist and CIO at Saxo Bank, added: "In our view, the implications of a global trade war and the world possibly having reached peak globalism have super-cycle implications."

"On the interest rate front and due to the excess of central bank policy, we are likely about to see the end of the 35-year downward trend in interest rates, the price of money."

"At the same time, we have seen an information technology revolution in which technology companies have become monopolies of a size not seen since the 19th century, with their dominance of the market and downright scary data-gathering capacity more powerful than that of governments."

"This is now changing with the European initiative to both enforce the General Data Protection Regulation and the 4 percent turnover tax applied to technology companies."

"This will reprice technology, as (at a bare minimum) growth is now taxed higher with more spending needed on data protection, which is not 'sales' but costs."

SimCorp reveals fixed income revenues hamstrung by fragmented operations

Some 66 percent of fixed income professionals are seeking to reduce high operating costs, according to a survey by SimCorp.

In a report, SimCorp suggested that these high operating costs would be treated as the number one priority for respondent's in 2018.

The report entitled 'Fixed Income 2018: Goals and Challenges for the Front Office', was put together by Worldwide Business Research (WBR) Insights and surveyed 100 North American fixed income professionals, from traders and portfolio managers to CIOs.

The report showed that 63 percent of participants listed the need for new fixed income technology, among other priorities.

Some 81 percent of respondents said they are hampered in understanding firm wide limits, counterparty exposure and other important risk indicators, while 70 percent said securing timely and accurate start of day and intraday positions and cash projections is a challenge.

The report also found 59 percent struggle to measure investment performance relative to blended benchmarks and indices, in addition 56 percent said they spend up to an hour reconciling positions and cash at the start of their day, just to reach a 'satisfactory confidence level'.

SimCorp said the report comes at a pivotal time in the global market, which is marked by the return of inflation and volatility, and unveils the impact of costly and ineffective fragmented operations, critically affecting the success of fixed income desks.

The software provider also said technological enhancements, coupled with the constant pressure to reduce costs, indicate that the current operational environment of legacy and best of breed systems cannot support the long term strategy of fixed income desks, and are also an expensive burden on day to day front office activities.

Terry Flynn, front office specialist at SimCorp, commented: "The report's findings make it clear that fixed income operations is in need of significant change."

"Delayed and incomplete data, limited firmwide exposure views, restrictive asset class coverage and Excel-driven manual reconciliation, have tied the hands of many fixed income desks."

He added: "To free themselves of this burden, firms need to eliminate the bottlenecks by consolidating their investment operations. This will create the operational efficiency required to deliver competitive returns and attract and retain investors."

Oliver Kirkbright, content director of the fixed income leaders summit at WBR, said: "Fixed income professionals have a clear opportunity to gain back market share."

"But to do this successfully, they need to address the operational hurdles that are currently thwarting their profitability, and seek a consolidated operational strategy that will deliver immediate results, as well as long-term profitability."

Fidessa partners with Tower to extend access to SI liquidity

Fidessa has added Tower Research Capital's Tower (TRSi) to its systematic internaliser (SI) liquidity programme.

According to Fidessa, the partnership with Tower leverages Fidessa's market access architecture and order routing capabilities, assisting Fidessa customers to meet the liquidity challenges they now face under the second Markets in Financial Instruments Directive (MiFID II).

Tower's TRSi is integrated into Fidessa's smart order routing (SOR) and market access layer so that it can be used alongside sources of liquidity.

Fidessa's order handling capabilities, including its Spotlight and BlockShadow liquidity seeking services, enable users to manage their order flow across lit venues, SI operators, and the new dark pools that have emerged in the wake of MiFID II.

James Blackburn, global head of equities product marketing at Fidessa, said: "As the new SI players enter the market it's important for brokers to have choice, but this choice needs to be managed within a framework that promotes best execution."

He added: "We felt it was important to have one integrated approach across the entire liquidity spectrum."

"Fidessa is committed to providing a single point of entry to major sources of SI liquidity alongside existing dark and lit venues."

Simon Dove, head of liquidity management at Tower Research Capital Europe, commented: "Tower is part of the elite new SIs that bring best of breed liquidity to markets in the post-MiFID II world."

"We are delighted that Fidessa has selected us to help bring greater choice to our sell-side partners in their search for specialist and market leading liquidity."

He added: "We have strived to not only deliver a best of breed SI platform and liquidity profile, but also to develop our market making strategies and risk appetite to embrace the exciting post-MiFID II world of periodic auctions."

"This complements our significant footprint across European equities, fixed income, commodities and equity derivatives."

Stop... Collaborate and listen

Over 1,000 delegates gathered at London's Tobacco Dock at the SWIFT Business Forum to discuss the rapid pace of technological innovation in the financial services industry

Becky Butcher reports

This year's SWIFT Business Forum London focused on innovation and how the financial services and payment architecture is developing at a fast pace.

The message, which Javier Perez-Tasso, CEO of Europe and the UK at SWIFT, delivered in his opening remarks suggested that the speed and scale of developments to the UK's RTGS system, opening banking and the Second Payment Services Directive (PSD2) and real time payments becoming reality, is unprecedented.

He said: "Institutions are readily adopting new and emerging technologies, learning how to harness the power of data to drive machine learning and artificial intelligence, managing and strengthening cyber resilience, and ensuring financial crime compliance."

He explained with the pace of change set to accelerate, industries and firms that seize the opportunity to evolve business models and product offerings will win in a digital-first world.

Through collaboration, incumbents and financial technology firms can help foster a culture of innovation and establish partnerships that will benefit the industry and transform the future of the UK payments landscape, according to Perez-Tasso.

During the plenary panel, Andrew Pearce, global head of payments at HSBC, explained that both customers and regulators "are always expecting more from the industry".

He suggested that collaboration was one way to solve this problem and by doing this people are now leveraging the ecosystem.

Pearce said: "Companies are doing deals with multiple parties to solve individual things. It could be a joint venture or venture-style investments, which adds a whole new dimension of complexity and if you don't do it you might miss the bus." He added: "Companies are having to be more creative and it all comes back to regulators and customers wanting more and wanting it more quickly."

Bob Wigley, chairman of UK Finance, also agreed that collaboration between payments is key to create a game-changing way of payments, as well as risk mitigation and banking innovations.

Wigley said that there is no advantage to banks competing on cybercrime, so collaboration is the best method for banks to tackle together.

As Brexit negotiations continue, Wigley explained that it is important to focus on tackling cybercrime, so that in a post-Brexit world, London can be "the most transparent and safe place to do business in financial services across the world".

Wigley suggested that the current system "is not fit for purpose" and it is something that is being worked on with the government and regulators to reform and improve the system.

With much conversation focusing around artificial intelligence (AI) and machine learning, another panel discussed leveraging the power of AI.

Financial services have already seen some of the biggest uptake of these new technologies, with practical applications ranging from back office operations and trading, to risk management and financial crime compliance.

There is currently a lot of worry in the industry that AI will replace the role of humans. However, one panellist, Matt Armstrong-Barnes, chief technologist at Hewlett Packard Enterprise, said that in order for AI to work it needs a human present.

Armstrong-Barnes suggested that AI is a tool and should be used effectively. He commented: "You need to chose and plan where you deploy the tools. You get out is what you put in. Humans are still the decision-making entity."

AI is doing things that humans can't physically do, but what an AI can do is target certain parts of data. You need a human to take AI processes and the data they provide and do something with that data."

Husayn Kassai, CEO of OnFido, also agreed that there "should be no concerns around jobs being lost, but AI is transforming our lives and changing every industry".

Kassai added: "AI is something that, in the past, simulated intelligent behaviour, but what has accelerated is machine learning and the availability of data and cloud computing amongst other things. There are fantastic tools out there to make it happen."

During the panel, delegates were asked via an interactive poll 'how is AI viewed within your organisation?'

Of those who responded, 49 percent said that it was another technology that the firm was trying to understand, while 48 percent said is was an essential part of the future business strategy. The remaining 3 percent of respondents answered 'what is AI?'.

Attendees were also asked 'where is your organisation on its AI journey?'. Of those who answered, 42 percent said they were just about to get started, 38 percent said they were well on the way, 13 percent said they had not yet started, but were interested, while 6 percent said they have not even started to look at it.

Panellist, Kristian Luoma, head of OP Lab at OP Financial Group, said that the hype around AI is from the availability of data and a change in behaviour towards technology.

Luoma explained that AI is a tool, which able to reduce the time of processes as well as replacing manual processes within the workplace.

However, he noted that the main driver is that most of the consumption of the services has gone digital.

Another panel focused on the evolution of the payments landscape in the UK and beyond.

During the session, the audience were asked if the speed of innovation and change in UK payments is moving at the right pace?

Some 45 percent of the interactive poll thought that innovation and change was moving too slowly, 14 percent of the audience thought the change was happening too quickly, while 41 percent said they thought it was moving at a good pace.

One panellist said that "the world of payments needs competition, collaboration and people in the industry to listen to their clients".

The panel, made up of bank CEOs and heads of product management, cited that these three 'C's' were the key to dealing with innovation and financial growth in the UK.

According to a panellist, if UK payments could get this right, the UK could be "the model of the world", while another said: "You [the bank] can collect the intelligence from a lot of different places but ultimately it is the customer who you need to consider."

Elaborating on the theme of innovation, one panellist said: "I think in the future, 2018 will be looked back upon as a slow year—the start of the Second Payment Services Directive (PSD2) journey—it has begun to lead the way but has had a reasonably slow take-up, but I think it will accelerate."

When considering this innovation journey it is still more important to retain safety of the payment side and to ensure customers security, above anything else, said another panelist.

The panel concluded: "The crystal ball moment isn't here yet about what's going to happen in the future. Ensuring safety now in technology is important moving forward and is key for customers."

She added: "It is my prediction that payment apps will be copied within the payments sphere, as the technology can be replicated by all the big banks—if all banks replicate all those programmes, how can they compete? No one will survive if they are a low cost provider. The competition of the future, will be on a cost basis, not actual apps and the technology available." **AST**

Taking centre stage

Jerry Norton of CGI discusses some of the technology trends in the asset servicing spotlight

Based on CGI's Client Global Insight 2017, we take a look at some of the trends that will take centre stage this year. In corporate and transaction banking we are seeing an overall acceleration in digital transformation programmes, integrated physical and financial supply chains, real-time payment processing and sophisticated protection as banks respond to customer demands and increasing competition to reduce costs and enhance revenue.

Continuous re-organisation and change to drive digital agendas: Corporate and transaction banks are pushing forwards by embracing new business models, which will secure their place in a digitally connected economy. As enterprise-wide digital strategies are implemented we expect banking executives to adapt, change and evolve the organisation of their business. More than half (63 percent) of the executives interviewed are leveraging a centralised team to drive the execution of their digital transformation plans, and a majority (36 percent) is leveraging external partners. Because the business model change is enterprise wide, both the CIO office and lines of business are jointly engaged in the change, and more than half have an innovation team involved. This year, we will see efforts to attract new digital talent and leadership into the organisation, and also an increasing number of banks taking more radical approaches to organise along agile principles.

Enabling the global adoption of real-time: One of the biggest examples of the industry-wide change taking place is the global adoption of real time or instant payments—albeit at different paces by country. In some regions, this change is driven by regulatory push, while in others by the need for greater economic competitiveness and productivity. However, for our clients this year we will see a renewed focus on transforming the IT ecosystem to operate in real time and for cost reduction through technology simplification and the adoption of new implementation and delivery models such as agile development, DevOps and cloud computing.

Open banking and emerging technologies comes to the fore: New technologies, especially open application programming interface (APIs) and blockchain, are changing how the industry works. Open APIs unbundle the banking value chain and enable banks and non-banks to create new and extend existing services, which will accelerate already intense service competition. Blockchain, or distributed ledger technology (DLT) is being piloted to connect financial and physical supply chains and remove historical paper-based inefficiencies. Alongside these is the rise of Intelligent automation and artificial intelligence. Each of these technology areas is a potential game changer in its own-right, but together they promise to bring deep transformation to the industry.

These 'hot topics' have been making waves for a while, but we expect to see these technologies move into production environments this year, with the possible exception of artificial intelligence, which still needs to mature and be paired with more robust and accessible data before its full impact is felt. The corporate and transaction bank executives we interviewed are primed to execute enterprise transformation at pace and the adoption of these new technologies.

Corporate servicing becomes omnichannel: This year, we expect to see a big emphasis in customer centricity. We are witnessing the 'next step' in corporate servicing as more corporates demand support across all channels. While progress has been made in the digital servicing space, corporates do not want a 'digital-only' servicing model. Banks are being asked to join the physical with the digital, and many are taking the opportunity to drive market differentiation through more customer-centric business models and innovative value-add services through the use of intelligent automation and data analytics.

Innovation extends to protection: While money laundering regulation, anti-fraud measures and security continue to be top priorities for banks as threats continue to escalate, banking executives are looking to new technologies to support them in these areas. This year, we expect to see machine learning being used more readily to help drive efficiencies and improve control in both risk and fraud procedures.

Capital Market firms have always been more mature in their use of data and technology than their retail and corporate banking cousins, but the results shown in CGI's Client Global Insight report suggest that the pace of change is accelerating. What we are seeing is an overarching imperative to meet customer demand and reshape business models with new technology as the key enabler. Here are the top five technology trends to watch in capital markets last year:

Data: CGI's clients see data as not only the oil of their business, but also as the principal asset of it. Data quality, consistency, reporting and control are seen as key for the former but pursuing predictive analytics to drive new products and services or tailor existing ones to specific customers or customer groups underpin the latter. With advanced analytics, for example, data is no longer considered just an input or output, but the heart of the business—

capable of generating rich insight and new revenue streams. Clients are increasing investment in the tools and technologies that delivery these outcomes, they are appointing chief data officers and commissioning projects to create data utilities within their organisations to be the golden source of reference and counterparty data.

The velocity of digital transformation is increasing: Digital awareness and action was much higher in 2017 than 2016 and we expect this to continue throughout this year. The focus will be on driving automated real-time and scalable business models through digital customer interaction at the front end and transaction platforms at the back. Enterprise-wide change ranks as the number one business priority, as capital market executives seek to achieve the three goals of cost reduction, improved regulatory compliance and improved agility to maintain and increase profitability.

However, many are still without an enterprise-wide digital strategy, this year we predict that more emphasis will be given to the creation of these strategies while the forerunners will be actively implementing.

Decision-making has also become more technology focused, with a majority of organisations embedding digital into their lines of business, and jointly empowering their IT departments and lines of business to build and execute an enterprise-wide transformation roadmap. Overall, there is an urgency to digitalise to transform the organisation, improve operational performance, better serve customers and drive new business opportunities. But cross line of business coordination remains a challenge—many of these changes need common applications and shared operations, which are difficult to deliver in a fast changing and competitive landscape.

The new role of robotics: Capital market firms were one of the early adopters of aspects of the current robotic revolution; the sell side, for example, has used algorithms in trading since the late 1990s. However, this form of automation has been very niche and predominately front-office oriented. Today, the capital market executives we met with are implementing robotics across the wider value chain.

Although most are in the first stage of implementation, automating routine tasks through robotics process automation (RPA) software, machine learning, intelligent automation and (specific) artificial intelligence to (say) recognise trading opportunities for the firms and customers alike offer exciting opportunities.

Subsequent stages are still in gestation, with a small percentage of respondents pursuing, investigating and looking at proof-of-concepts of these emerging techniques.

Digital service: When it comes to digital transformation there is a pointed focus on service. This year, we will see capital market players putting increased efforts into building their digital workforce and implementing more customer self-service options. Alternative customer channels, such as voice input and chatbot support are under investigation.

With the changing times, there is a need to evolve operating models so firms stay relevant to both their customers and employee. Real-time connection, highlycustomised front ends, voice and automated service will be part of this.

Urgency to protect: All of this requires protection for the customer and the firm. CGI's

Client Global Insight highlights that investment in cybersecurity has significantly increased from 2016. Throughout this year, it will take top-spot as a major business imperative. Capital market respondents realise that cybersecurity spend is an unavoidable cost of doing business.

There is an opportunity, however, for cybersecurity spend to shift from a cost burden to a competitive differentiator as firms cite the need to offer safety and trust to their customers.

What hasn't changed for capital market respondents, however, is the burden of complying with existing regulations, along with the understanding that this burden and its associated costs will continue to increase over time.

There is an urgency to digitalise to transform the organisation, improve operational performance, better serve customers and drive new business opportunities

Jerry Norton, head of strategy, UK financial services, CGI

Investigating the Nordics

The Nordics saw asset servicing growth in 2017. But amidst regulations such as AIFMD and MiFID II, it is fair to say, like the rest of Europe, the region has been challenged, but will the Nordics see administrative or custodial opportunities from Brexit?

Jenna Lomax reports

Last year the Netherlands were seen by the European Securities and Markets Authority (ESMA) to have significant weaknesses in supervisory approaches towards the second Markets in Financial Instruments Directive (MiFID II), but despite the concern, the Nordics, including the Netherlands, still saw positive securities finance revenues.

The Finanstilsynet, the Norwegian supervisory authority, also expressed some concern last November that some European Economic Area members “remained in the dark” over the EU’s authority to impose MiFID II. However, the Nordics were not bogged down by its January implementation.

With the Alternative Investment Fund Managers Directive (AIFMD) looming, the Scandinavian states still saw monetary growth and technological advancements in the Nordics throughout last year.

Moving further into 2018, the evolution of technology, especially with the introduction of blockchain, cannot be denied.

With firms such as NEX moving their European Market Infrastructure Regulation (EMIR) platform from London to Stockholm for its trade operations post-Brexit, for one, could we see any other firms migrate all or a portion of their financial services to the Scandinavian financial capital, or elsewhere in the Nordics?

Technology: Oslo process?

According to a panelist at this year’s 2018 Association of the Luxembourg Fund Industry’s (ALFI) European Asset Management Conference in Luxembourg, the European financial services industry is still in the “foothills of trade technology”, with big changes coming in a few years time. But what does this mean for the Nordics?

Last year, one of the world’s largest Nordic banks, SEB, joined forces with Nasdaq to test and further develop a prototype mutual fund trading platform based on blockchain technology, and that’s just one example.

Elsewhere, the Copenhagen-based SimCorp introduced new modules and enhancements to its investment management tool, know as SimCorp Dimension.

The new feature, enables portfolio managers to block positions from the collateral pledging process.

Another example in Copenhagen, was Saxo Bank’s launch of a new trading platform called SaxoTraderPRO.

SaxoTrader is a programme that gives clients access to exchange-traded funds, stocks, bonds, contract for difference, forex, futures and options that are cross margined from a single account with no monthly fees.

And in the Finnish financial market, Municipality Finance implemented Acumen, a treasury solution platform created by Login SA, to manage and automate its operations.

The Helsinki-based MuniFin utilised Acumen to manage deal capture, pricing, middle office, reporting, collateral management, back office and risk management processes. Also in 2017, SIX x-clear, the clearing arm of SIX Securities Services, extended its services to the Nasdaq Nordic cash markets, and offered an interoperable clearing solution for Denmark, Finland and Sweden.

The new clearing services now applies to trades executed in Nasdaq Nordic trading markets: Copenhagen, Helsinki, Stockholm and First North Sweden, which is operated by Nasdaq Stockholm.

Skip forward a year, and London-based Torstone Technology followed a similar suit after announcing it was to enter into the

Norwegian market by connecting its Inferno platform to Verdipapirsentralen ASA, Norway's central securities depository.

Commenting on the move, Jonny Speers, global head of sales at Torstone Technology, said: "We are excited about the opportunities in the Norwegian market as we look to strengthen our presence there."

But of course, you cannot talk about technology without mentioning what Target2-Securities (T2S) has done, or is expected to do, for the Nordic countries.

Bo Thulin, head of the Nordics for Northern Trust, says: "The use of the T2S platform improves liquidity, reduces the costs of cross-border securities settlement and increases competition and choice among providers of post-trading services in Europe."

A minimum of three months notice is required for a market to join T2S. Thulin confirmed that so far, only Denmark has joined T2S.

Finland had planned to join T2S, though this date was deferred and no new dates have currently been announced.

Norway, Sweden and Iceland have retained their own currencies and currently have no plans to join T2S.

Denmark is scheduled to join T2S with DKK in October this year. This date, however, is yet to be confirmed.

Afjording regulation

The Nordics, like the rest of its European neighbours, lie in a mist of regulatory cloud. There have been regulatory sensitive periods concerning Alternative Investment Fund Managers Directive (AIFMD) and the second Markets in Financial Instruments Directive (MiFID II), in particular.

Roel Van De Wiel, commercial director for the Netherlands and the Nordic Region at Societe Generale Securities Services, says: "AIFMD, UCITS V and MiFID II all refer to the role of a global custodian and therefore have been challenging regulations", but he also stated that the regulations have also "provided opportunities for growth in the Nordics."

He says: "European regulations should be perceived as stimuli to the industry that try to influence in a positive manner how we offer services for investor protection [...] with most of the regulations now implemented, it is up to the industry to optimise investor protection under these new regulations."

"AIFMD brings new liabilities to banks with regards to the sub-custodians it appoints across the globe. For SGSS, AIFMD presents growth opportunities as investor protection moves to the forefront of the industry."

Scandin the future

As we look towards a brand new decade, what does asset servicing in the Nordics face in the future?

Infinity Release 2, an update of Euroclear's Infinity solution, launched on 12 February this year, after an initial delay in its implementation.

In a statement, MAC and Euroclear Finland said this confirmation of the launch date brought "clarity and encourages the whole Finnish financial community to get prepared for the transition".

But what about the rest of Scandinavia? Thulin says: "In the current low interest rate environment, with three of the four currencies in the Nordic region being negative, we will find investors will continue to increase allocations to alternative investments. The regulatory agenda continues to put investors and managers in a situation with increased demand for managing data to support regulatory requirements."

Van De Wiel says: "Global custody is 'sticky business', which is also the case in the Nordic region, but the industry has been confronted with significant and fundamental changes." He added: "With those changes comes the responsibility to review whether investor protection and prevention against material events is still maximised or open for improvement. It is a global custodian's responsibility to educate its client base on the interconnectedness of dynamics that have impacted the industry."

Brexit: Parting in Swede sorrow?

An ESMA representative at this year's European Asset Management Conference in Luxembourg stated that they are "prepared for the UK to become a third party".

Although Norway is not a member state of the EU, it is closely associated with the union through its membership in the European Economic Area, this could be one reason why a panelist at this year's Irish Funds' London Alternative Investment Seminar joked that the UK could become a 'fake Norway'.

Van De Wiel explains: "Societe Generale has had a presence in the Nordic region for many years across multiple lines of business with corporate and investment banking offices in Oslo and Stockholm. [If our clients] request structural changes in our Nordic setup, we will evaluate them to support our growth ambitions in the region as it is an important market for us."

Talking about Brexit, Thulin comments: "The extent to which entities are choosing to domicile part of all their business in the Nordics is unclear; but we could begin to see broader shifts in terms of mutual fund locations, talent relocation and differing member states becoming more able to influence the content of financial regulation, all of which are potential disruptors." **AST**

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Comings and goings at State Street, CalPERS, SmartStream and more

State Street has appointed Richard Irons as head of sales for global exchange in Europe, the Middle East and Africa (EMEA).

Based in London, he will report to David Pagliaro, head of global exchange, EMEA.

In his role at State Street, Irons will be responsible for developing and executing the sales strategy for the global exchange's product capabilities and solutions in EMEA, leading the regional sales team.

Irons has more than 30 years of sales and relationship management experience in financial services and technology.

Prior to State Street, Irons was recently at head of account management and customer support at Fenergo.

Before Fenergo, Irons held senior roles at BISAM, NYSE Technologies, Bloomberg, SunGard Global Trading and Thomson Reuters, formerly Thomson Financial.

Commenting on Irons appointment, Pagliaro said: "Richard Irons has extensive knowledge of both financial services and technology which will further strengthen our offering in EMEA."

He added: "As we continue to develop our growth strategy in the region, Irons' experience will be instrumental in helping build on the momentum we've achieved to date, and significantly contribute to our long-term and successful client partnerships."

RBC Investor & Treasury Services (I&TS), part of Royal Bank of Canada, has appointed Kumi Somaskandan as managing director and head of client operations for Canada.

Somaskandan joins RBC I&TS from Citco where she was most recently managing director, head of Citco Alternative Investor Services for North America.

She has worked at Citco since 2007 and has held other senior roles there, including director of client relationship management.

Somaskandan replaces James Daigle, who is retiring in May 2018 after 30 years with RBC.

Paul Bridgeman, managing director of global line operations at RBC I&TS, said: "Kumi Somaskandan's strong reputation for delivering results and building high-impact teams ensures that RBC I&TS continues to support our clients' evolving needs."

He added: "Her expertise and industry knowledge will also enable us to continue improving our operational efficiency and reduce risk."

Curtis Ishii will retire from California Public Employees' Retirement System (CalPERS), after a 40 year tenure with the agency.

Ishii will continue as managing investment director of fixed income and a portfolio official in charge of the firm's fixed income programme until July 2018.

Senior portfolio manager for fixed income at the agency, Arnie Phillips, will replace Ishii in the interim until a permanent replacement is chosen.

Commenting on Ishii's departure, Theodore Elipoulous, CIO of CalPERS, said: "Over the span of Ishii's investment career, CalPERS has weathered a number of storms, and he's been at the centre of guiding and steering the ship during this, to tick off a few of the major ones, in 1989, the cash of the high yield bond market, the so-called great bond market massacre of 1994, the Asian financial crisis and Russian default crisis of 1998 and 1997."

Elipolous added: "Ishii has always been centre of advice for the asset team."

"His advice and counsel and recommendations are respected and have provided great leadership to CalPers over the years."

The SmartStream Reference Data Utility (RDU) has appointed Eric Bigelsen as senior vice president of sales for the Americas.

Bigelsen will lead sales and business development efforts for The SmartStream RDU, brokers, asset managers, hedge funds, and trading companies.

Bigelsen has over 25 years' financial service industry experience and has worked in data, analytics, research, ratings, compliance, and technology solutions.

Prior to The SmartStream RDU, Bigelsen was senior vice president at Moody's Investors Service.

Peter Moss, CEO of The SmartStream RDU, said: "As The SmartStream RDU expands its capabilities, it is essential for us to have the right calibre of candidates who understand and appreciate the value of the business and our clients."

Commenting on his new appointment, Bigelsen commented: "The SmartStream RDU is becoming the market standard, I see this as a great opportunity to be part of a successful, well recognised business amongst the financial community."

He added: "With the continuation of more industry participants, I am here to support this growth and future expansion of the business." **AST**