# asset servicing times

The primary source of global asset servicing news and analysis

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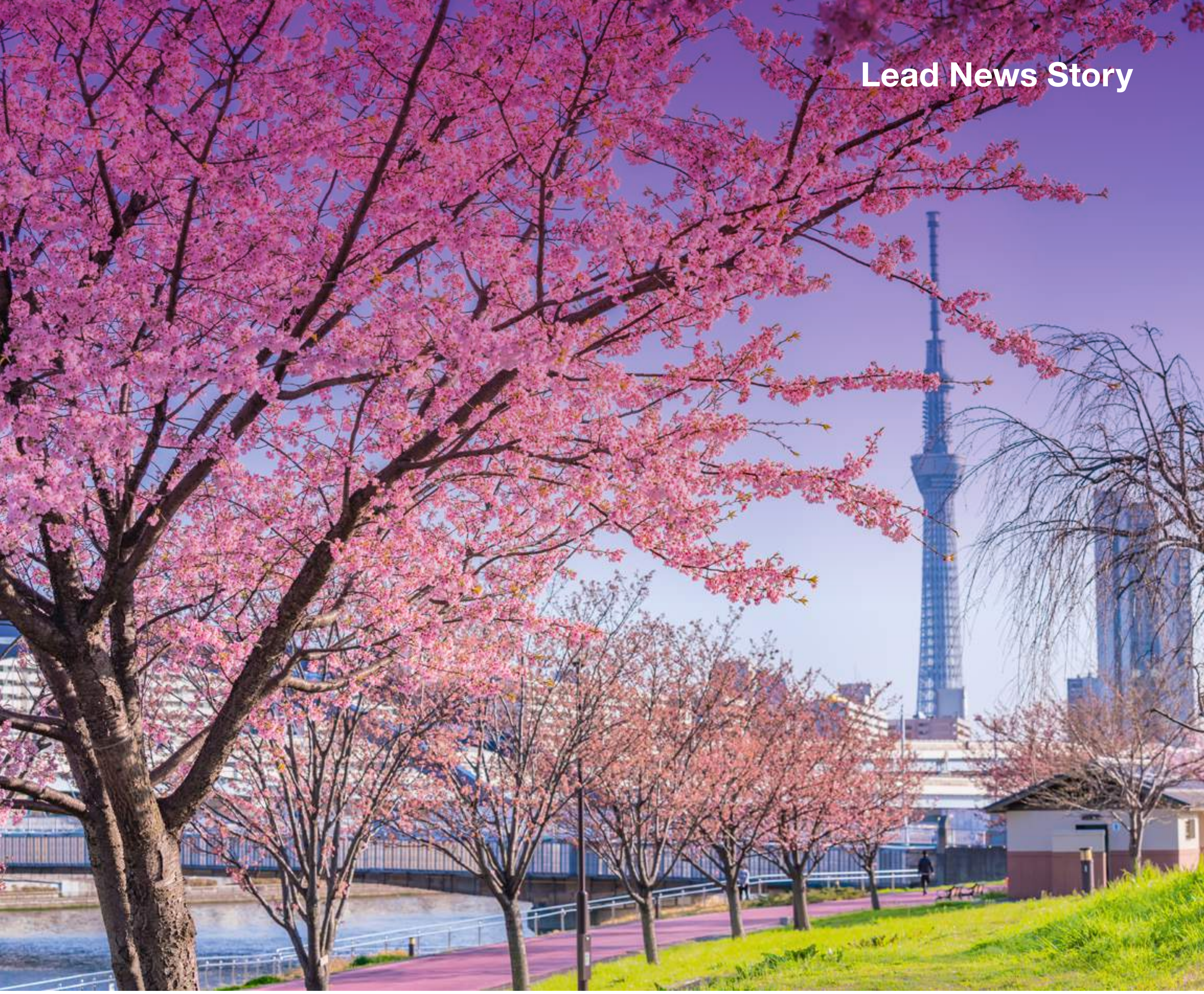
## Turning obstacles into opportunities

### How can automation further extend South Africa's capabilities on to more of a global level?



# Nomura to provide access to CLSSettlement

Nomura Asset Management (NAM) is to be the first asset manager headquartered in Japan to provide access to CLS' settlement platform for Japanese-domiciled funds. NAM is working with three trust banks: The Nomura Trust and Banking Company, Japan Trustee Services Bank and The Master Trust Bank of Japan, to offer CLSSettlement to a total of 21 investment trust funds.

NAM and the trust banks are supported by a number of global custodian banks, including Brown Brothers Harriman & Co and Citibank.

Following guidance from the Basel Committee on Banking Supervision recommending the use of payment-versus-payment (PvP) settlement, the Financial Services Agency of Japan, along with Bank of Japan, brought together Japanese wholesale foreign exchange (FX) market participants to promote PvP settlement and assist the industry in adopting CLSSettlement.

Margaret Law, head of client management for Asia Pacific (APAC) at CLS, said: "We are seeing increased interest in the mitigation of settlement risk by the asset management community in Japan, and in APAC more generally, as a result of the operational best practices which are being expected by end clients and promoted by drivers such as the FX Global Code."

Kunihisa Ono, managing director of NAM's trading department, commented: "We are pleased to be the first asset manager headquartered in Japan to provide Japanese domiciled funds access to CLS Settlement."

He added: "We are managing a wide range of funds and trading foreign exchange with both domestic and foreign counterparties. We need to mitigate settlement risk and think that CLS is effective in that respect. We are preparing to further expand CLS settlement in the future."

# Contents

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## Torstone expands London HQ

Torstone Technology has doubled the size of its London office to cater for European growth over the course of the past year and through 2019.

The expansion follows Torstone's entrance into new markets and is part of its broader ambitions for growth in Europe, Asia, and, more recently, North America.

This follows Torstone's recent growth of over 50 percent in revenue year on year, which fuelled the hiring of over 50 percent more staff in Europe and globally in 2018.

The company said it has a strong presence in Europe, currently servicing clients in the UK, Germany, the Netherlands and Norway.

Additionally, they are looking to expand further into Scandinavia as well as France, Belgium, Spain, Italy, Portugal, Luxembourg and Switzerland.

Meanwhile, several senior appointments have been made across product development, professional services, support and sales functions. This includes the appointment of Jean-Jacques Cuerq, who joins to focus on growth in key European markets, based in France.

He has over 20 years of experience in capital markets including over 10 years as head of post-trade sales, Europe, Middle East and Asia, for FIS.

Brian Collings, chief executive, Torstone Technology, said: "We're delighted that Torstone saw a year of incredible growth in 2018 and we look forward to capitalising on this success to bring our products and solutions to our existing clients and new markets in the future. During this time of expansion, we remain committed to helping clients reduce their costs, minimise risk, and drive operational efficiency while achieving regulatory compliance."

## Millennium Trust sees assets under custody rise

Millennium Trust Company (Millennium Trust) ended last year with $26.6 billion assets under custody in almost 1.2 million accounts—the latter of which is up 50 percent from 2017.

The firm said it strives to continue to expand its product offerings, while also continuing to cultivate a strong culture among its employees.

Last year, Millennium Trust acquired a portfolio of approximately 160,000 individual retirement accounts from The Bancorp Bank.

The acquisition reinforced Millennium Trust's position as a service provider of automatic rollover solutions, helping to reconnect missing participants with their retirement savings.

The firm also enhanced the Millennium Alternative Investment Network, a network that increases access to alternative investment platforms, with new educational tools and resources, as well as new investment platforms, including Gold Bullion International, KBS and CrowdStreet.

Gary Anetsberger, CEO of Millennium Trust, said: "In recent years, our business has experienced tremendous growth, and we are excited to continue on this trajectory in 2019."

He added: "As we look ahead, we will continue to invest in our people, technology and service capabilities to go above and beyond in providing high-quality retirement services and institutional custody solutions to our clients."

## ESA publishes final recommendations on KIDs for PRIIPs

The European Supervisory Authorities (ESAs) have published their final recommendations, following a consultation on targeted amendments to the Delegated Regulation, covering the rules for the Key

## Citi wins custody mandate

Citi has been selected by Pacific Asset Management (PAM) to provide full fund administration and custody services for its Dublin-registered UCITS funds.

As part of the mandate, Citi will provide fund administration, depositary, custody, clearing and foreign exchange solutions

Paul McLernon, COO of PAM, commented: “Before continuing with our growth plans, it was important that we identify the right strategic partner, one that could provide us with a strong operational backbone for our diversified range of UCITS funds and work with us on creating solutions to adapt to new regulation and client needs.”

Matthew Bax, head of sales for custody and fund services at Citi, Europe, the Middle East and Africa, added: “As we continue to invest in our platform across the full spectrum of custody and fund services, we are delighted to add Pacific Asset Management as a new client and look forward to supporting the expansion of their UCITS funds.”

Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs).

The PRIIPs regulation defines the main rules and principles for KIDs. The KID for PRIIPs is a mandatory, information document to be provided to consumers before purchasing a PRIIP.

PRIIPs include funds, structured products, unit-linked and with-profits life insurance contracts, and structured deposits.

Having taken into account the feedback received, and considering the implications of a possible decision by the European co-legislators to defer the application of the KID by certain types of investment funds beyond 2020, the ESAs decided to not propose targeted amendments at this stage.

They also agreed to initiate a more comprehensive revision of the PRIIPs Delegated Regulation to be undertaken in the course of 2019, including to launch a consultation on the draft regulatory technical standards.

The decision comes after the ESAs wrote a letter to the European Commission expressing their concerns regarding the possibility of duplicating information requirements for investment funds from 1 January 2020 and the importance of legislative changes to avoid such a situation, including a targeted review of the PRIIPs Delegated Regulation.

After this letter was initially written, the ESAs published a consultation paper on 8 November 2018 proposing targeted amendments that would allow the KID to be applied to all types of investment funds, and to address key issues that have arisen since the implementation of the KID.

In parallel with the ESA’s work, the European co-legislators also initiated discussions on legislative changes relating to the application


## Deutsche Bank moves collateral infrastructure

CloudMargin and Deutsche Bank have partnered to integrate the CloudMargin platform into Deutsche Bank's collateral infrastructure.

CloudMargin clients will be automatically connected to an online hub with a community of upstream and downstream partners who will add straight-through processing opportunities.

The initiative is expected to improve client experience by creating a networked solution for Deutsche Bank's collateral management.

The transition to CloudMargin cloud-based platform also means that Deutsche Bank and its clients will have access to the same information about the obligations and required actions for their cleared and non-cleared over-the-counter (OTC) transactions.

According to CloudMargin, this transparency will significantly reduce manual intervention and eliminate discrepancies that would otherwise take time and resources to resolve.

Joseph Macdonald, global head of collateral optimisation trading for Deutsche Bank, said: "Moving our collateral and margin management on to an online platform means that we and our clients will enjoy a reduction in risk and resource-draining emails and calls."

He added: "The movement of our collateral management programme to CloudMargin is also in line with a number of the bank's goals—enhancing our client service, being technology-led and improving efficiency. The cloud platform will give us a cost-effective means of servicing our clients, regardless of their size."

Steve Husk, CEO of CloudMargin, said: "We're delighted to team up with Deutsche Bank on this initiative to manage not only its global collateral needs but those of its clients of all sizes, trading a broad range of instruments."

He added: "Deutsche Bank interacts with virtually every other major bank as a counterparty, and its clients range from the world's largest institutions to smaller buy-side market participants. Our solution enables the sell-side institution to provide the same high-quality service, efficiencies and transparency to everyone while achieving significant internal cost savings and operational improvements to these systemically important processes."

of the KID by certain investment funds and the timing of a review of PRIIPs.

When publishing the consultation paper, ESAs stated that they would take into account the latest information regarding these political discussions when deciding upon their final proposals.

## Alpha and Kaizen partner for MiFID II

Alpha FMC (Alpha) has partnered with Kaizen Reporting (Kaizen) to provide independent transaction reporting assessments for specialist wealth managers and smaller asset managers to help them to meet the second Markets in Financial Instruments Directive (MiFID II) standards.

The combined proposition will check the accuracy of all of an institution's reported data, assess the effectiveness of firms' governance and control frameworks, and identify any gaps they might have in meeting the regulator's transaction reporting obligations.

The proposition comprises a discovery phase, using a questionnaire to cover transaction reporting compliance and the process involved.

This is followed by an evaluation phase involving an assessment of the regulatory reporting control and governance framework.

Reporting quality will be checked by Kaizen's accuracy testing service, which assesses all data fields on all reported transactions to provide a complete picture of reporting integrity.

Recommendations will then be made on whether transaction reporting controls are robust and whether the required level of testing is in place.

Andrew Glessing, head of regulation, compliance and risk at Alpha FMC, said: "We are delighted to work alongside Kaizen, who are the standard-setters when it comes to reporting assurance. With MiFID II requirements now a year old, this is the perfect time for specialist wealth and asset

## ESMA to recognise UK CCPs and CSD in no-deal Brexit

The European Securities Markets Authority (ESMA) has agreed a deal with the Bank of England for the recognition of central counterparties (CCPs) and of the central securities depository (CSD) established in the UK, should there be a no-deal Brexit scenario.

Last year, ESMA announced through various public statements that its board of supervisors supports continued access to UK CCPs and to the UK CSD, in order to limit the risk of disruption in central clearing and to avoid any negative impact on the financial stability of the EU. It will also allow the UK CSD to continue to serve Irish securities and to limit the risk of disruption to the Irish securities market.

It aims to recognise UK CCPs and the UK CSD in a "timely manner", where the four recognition conditions under Article 25 of European Market Infrastructure Regulation, and the four recognition conditions under Article 25 of CSDR are met, respectively. The new deal satisfies the third recognition condition—establishment of cooperation arrangements—under both regulations.

The deal also ensures that cooperation arrangements have been established regarding the CCPs and CSD and provide ESMA with adequate tools to monitor their ongoing compliance with the recognition conditions and to assess any material risk they pose, directly or indirectly, to the EU or any of its Member States, including to their financial stability. ESMA aims to complete the next steps for the recognition of the UK CCPs and the UK CSD and to adopt the recognition decisions well ahead of the Brexit date.

The recognition decisions would take effect on the date following the Brexit date, under a no-deal Brexit scenario.

managers to take stock of their reporting quality and processes."

Dario Crispini, CEO of Kaizen, said: "This is an important milestone in Kaizen's timeline. By joining forces with Alpha, we are able to offer the wealth and asset management sector a vital snapshot of the quality of its transaction reporting through an all-important health check. I am delighted we are working together."

### Apex completes acquisition of Ipes

Apex Group has completed an acquisition of private equity administrator, Ipes.

The addition of the Ipes business further strengthens its service and expertise in the private equity space.

The close of the Ipes acquisition follows the close of M.M.Warburg & CO Asset Management and servicing business in Luxembourg as well as the recent announcement of Apex's custody offering via its partnership with Citi.

At the close of the Warburg deal, M.M.Warburg & CO Luxembourg was rebranded as The European Depositary Bank under the Apex Group.

Apex has also recently acquired Corporate and Private Client Services (CPCS) and Throgmorton businesses of Link Group's Asset Services division.

Peter Hughes, founder and CEO of Apex, said: "The closing of the Ipes deal is another important milestone for the business. The Ipes team is extremely well qualified and fits seamlessly into our own, bolstering both our private equity expertise and presence in Europe."

He added: "The combination of Apex's existing fund administration, banking and depositary, integrated custody solution and comprehensive corporate services offering means we now have the ability to deliver a full outsource solution for clients on a global basis."

## NAFAA marks its first birthday

The North American Fund Administration Association (NAFAA) marked its first birthday on 1 February.

The association was launched last year to enhance the alternative fund administration industry.

Chris Meader, founder of NAFAA, thanked the nine firms who have become members over the last year. They include Apex, Basiz, Centaur, Circle, Horseshoe, IPS, Stone Coast, Sudrania and Ultimus.

Meader explained that much of the first year was spending "spreading the word about the association and gathering feedback on opportunities to improve the industry".

He said: "We had conversations with representatives from over 75 alternative fund administrators and received support for the goals of the association. We also met with representatives from hedge and private equity fund managers, institutional investors, capital allocators, lawyers, auditors and due diligence providers who voiced their support as well."

Last year, NAFAA held two admin-only events in New York that brought together representatives from over 35 different administration firms to discuss SEC examinations and administering crypto funds.

In addition, November saw the initiation of its member working groups where operational leaders from each member meet to discuss and agree on minimum standards and best practices for the industry as well as discuss operational risks, issues and trends that are impacting the industry.

Looking forward to the next 12 months, Meader noted that the association will continue "working groups, all industry events and work with our members to identify additional opportunities to improve the alternative fund administration industry".

## Broadridge acquires regulatory capabilities from PivotData

Broadridge Financial Solutions has acquired a number of private fund regulatory reporting capabilities from PivotData and its partner, Sol Hedge.

PivotData is a data warehouse and compliance reporting solutions platform for the investment community.

Broadridge will leverage PivotData and Sol Hedge's capabilities to help private fund asset managers meet their regulatory reporting requirements.

According to Broadridge, these regulatory reporting capabilities will complement its existing reporting solutions, helping clients gather appropriate data, calculate what information is needed from a submission perspective, and submit data to the appropriate authorities.

PivotData and Sol Hedge's capabilities include proprietary data transformation, normalisation and load processes as well as in-house compliance experience.

Eric Bernstein, Broadridge's head of asset management solutions, said: "This acquisition is a natural addition to our rapidly expanding technology and services platform for asset managers."

He added: "Regulatory reporting is a notorious struggle across the asset management industry, and PivotData and Sol Hedge's industry expertise will help our current and prospective Broadridge clients meet their current requirements and be ready for what's next."

Kelli Brown, head of global product development at Sol Hedge, commented: "Our application was custom-built to excel at regulatory reporting and we look forward to scaling with the help of Broadridge's deep product expertise and worldwide reach."

# AI is the future, but not without us

## Keiko Kataoka and Mitsuhiro Tsunoda of Nomura Research Institute tell us about the recent developments of AI and why they are sure there will always be a need for human intervention to asset servicing

**Within the asset servicing industry, how is AI being used? Over the last 12 months have you seen huge developments?**

**Keiko Kataoka:** As far as we understand, we haven't seen any huge developments in the last 12 months in the industry. A lot of AI projects are still being developed. Most of the projects are linked to back-office operations, such as compliance and data quality improvement.

**How is the implementation of AI changing roles in compliance and operations?**

**Kataoka:** We understand the expectations for AI in the back-office operations area but to others, the compliance and operations in the back-office area can seem very complicated.

We have the routine type of work as well as errors outcomes, at this time it is very difficult for AI to operate under all of these issues. We understand the potential of AI but when considering the type of work that is being done in the compliance and operations area, it's about handling all of the data.

AI is not relevant to every area. At this moment, we don't think firms are truly ready for AI implementation because accuracy is so important, and we don't think that AI can do better work compared to a human right now.

**Mitsuhiro Tsunoda:** Continuous human intervention is indispensable for quality control of AI. In the initial ruling of AI, a large amount of future data that is created by humans is required. It is necessary to continuously learn, even after the first time of incorporating AI into your business model.

**Would you agree there is an unnecessary hype surrounding AI, or do you think it is the only way forward for the back office? Should all asset servicing companies be embracing it?**

**Kataoka:** There are still unnecessary hypes surrounding AI, and we do not think that AI will be the substitution for the human in the near future. From this point of view, AI is not the only way forward for the back-office.

Considering the current environment in Japan, we have an ageing population problem as well as a shrinking workforce, so we need to think about sourcing the right staff, replacing the staff we have with the younger generation who understand the most up-to-date technology when it is time for the older generations to retire.

AI can be a good candidate and everyone needs to understand how to work together with AI to have the correct result from operations. From this point of view, we need to be ready for AI. Firms need to understand what AI is. In the past five or ten years, AI has been the buzzword, but its meaning is very broad.

When we say AI, it could mean anything from robotics to natural language processing. We can't transfer everything under the umbrella of AI or robotics. Humans need to have the experience and 'know-hows' in every company concerning how AI can bring opportunities to asset servicing. To do that we need to evaluate the tools correctly and implement and combine the work appropriately as an industry.

**Before implementing AI into companies, what should firms be doing to ensure it's the right thing for them?**

**Kataoka:** Evaluating what AI can do is the most important element. When we say 'proper evaluation', this includes ideas like evaluating what AI can and can't do. We also need to understand how AI can affect other processes.

We need to look at the limited processes to which AI could be implemented but also utility processes in order to optimise the whole operational processes.

For instance, NRI developed a data extraction tool in which AI techniques are being used. If you implement digital signatures with the tool, you can maximise the performance of data extraction tools because you do not need to rely on OCR. And that potentially can happen anywhere.

What did NRI's specific proof of concept studies with AI and robotic process automation (RPA) reveal in 2018? In terms of the back office, are there any specific trends that stand out?

**Tsunoda:** In terms of AI and robotic process automation, natural language processing (NLP) is very compatible with data extraction work. In terms of the task for re-entering data for fund attributes and for mutual funds, they were used to do contract attributes for structured notes.

It may take a long time to search for certain target data from a large number of documents which are unstructured. So we verified our approach which confirmed the data work greatly improved.

By combining AI and RPA, we can expand our range of operation that can be streamlined. If there is a high-load operation that can be put on the process to be carried on AI, is it not possible to streamline the entire business flow with just introducing AI?

In such case, automating high-load operations with RPA, will optimise the entire workload.

AI quality control processes are indispensable, as long as the accuracy of AI doesn't reach 100 percent. It depends on human beings at present.

We believe that the existence of a human in the loop will report AI's liability and the continuation of the latest AI operations.

**What opportunities and value can AI bring to a financial services company?**

**Kataoka:** From the aspect of fraud detection and legal tech, AI can deter so many possible cyber attacks, and there is demand—people and business want that kind of protection. We've come to expect more from AI and how it can protect us from cyber attacks and viruses.

**What studies will you be working on in 2019 that have an asset servicing focus?**

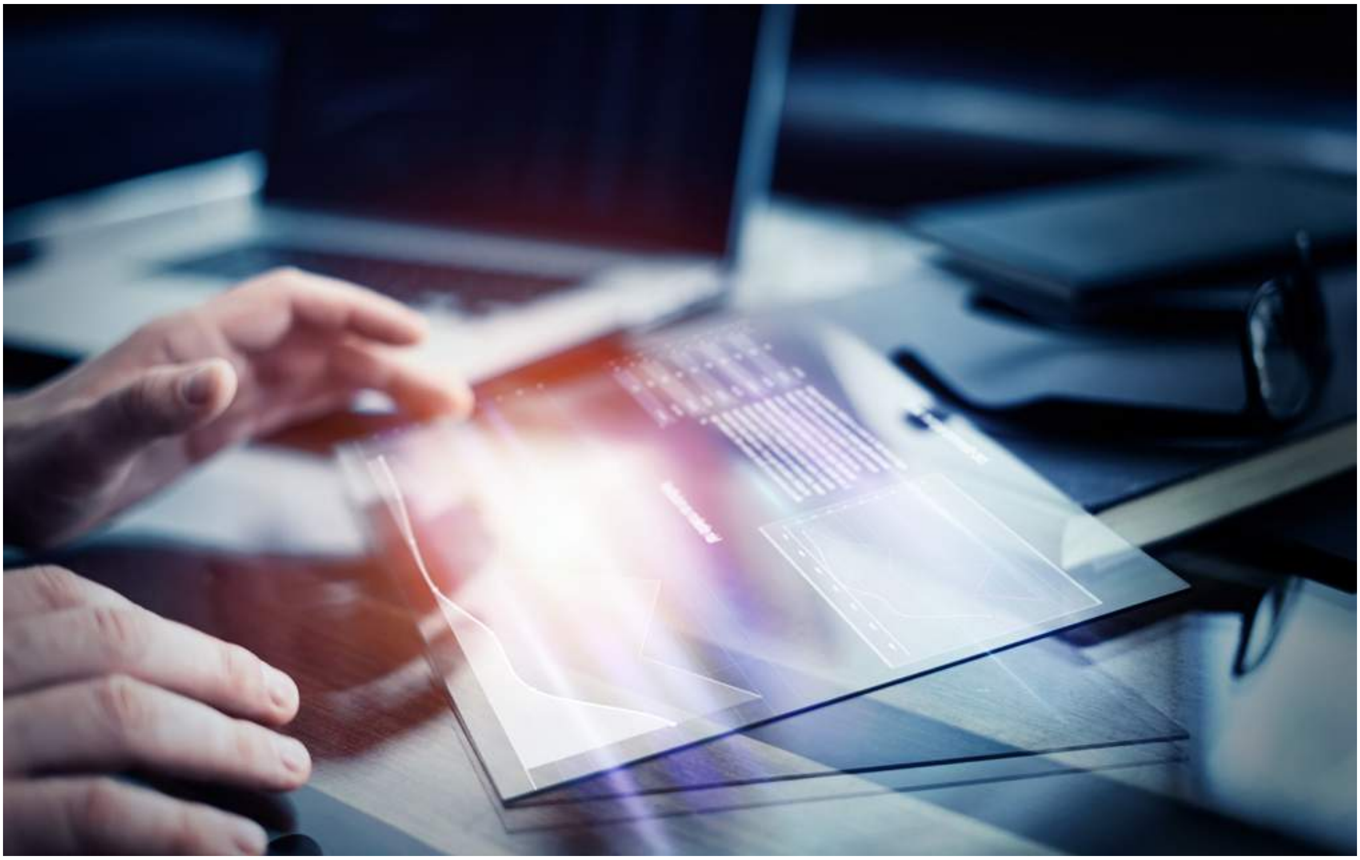
**Kataoka:** What we have learned so far from 2018 is data work is very suitable for AI. A lot of gathering meta-data is currently created by human so data is one of the bottlenecks concerning AI. We are thinking about introducing AI and NLP in some parts of our back service operations in our BPO.

We collect information in office operations from various types of companies and AI is more suitable for larger types of operations rather than for smaller volume type operations. Having AI capability with BPO offerings makes sense.

That's what we are trying to achieve in 2019.

Keiko Kataoka
Senior researcher
Nomura Research Institute

Mitsuhiro Tsunoda
Senior researcher
Nomura Research Institute



# A one-stop shop

## Kelly Ashe of Pacific Fund Systems discusses business growth and why the firm's objective remains to support clients to navigate and automate regulatory and market demands

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.

Pacific Fund Systems (PFS), established in 1999 is a privately-owned technology company that develops, distributes, supports and now hosts, a 'one-stop-shop' software solution for the automation of the complete range of back-office fund administration services to investment funds; focusing on an alternatives market that accounts for approximately $7 trillion in assets invested globally.

PFS' core product is the award-winning PFS-PAXUS system; an established market leading product that supports wholesale fund administration and the administration of all types of open and closed-ended, traditional and alternative funds, including retail funds, hedge funds, and private equity investment vehicles.

Last year followed 2017 as yet another record year for the continued growth of the company's client base, with the group exceeding growth targets for both license sales to existing clients and signing a record number of new clients. Following continuous growth over the last two decades, the last three years, in particular, have seen a dramatic increase in PFS' market share. During this period PFS have outpaced many of their competitors by continuing to win business and grow market share during a period of significant consolidation throughout the fund administration industry.

## What makes PFS-PAXUS so successful?

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, net asset value 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 a 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 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 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 are able to 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. We have 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. 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 recently launched in late 2018. 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. 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 FATCA, common reporting standards (CRS) and most recently the EU General Data Protection Regulation (GDPR), 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 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*

**Kelly Ashe**
Head of sales and marketing at global software company
Pacific Fund Systems

# A mixed bag of opinions

## As delegates gathered for the annual Fund Marketing and Distribution Europe Conference in London, audience questions were welcome on everything from PRIIPS to Brexit, of which opinions certainly differed

***Jenna Lomax reports***

Brexit and the implications of the second Markets in Financial Instruments Directive (MiFID II), and Alternative Investment Fund Managers Directive (AIFMD) were high on the agenda for this year's Fund Marketing and Distribution Europe Conference, hosted at the Grange City Hotel in London on 5 and 6 February.

One of the first panels discussed Brexit and its evolving industry impact on the industry. A panellist stated there was "no safe haven yet for financial services, but the European Securities and Markets Authority's (ESMA's) agreement with the UK Financial Conduct Authority (FCA) gives some clarity".

ESMA's agreement has initiated a framework for supervisory cooperation between ESMA, the EU 27 national competent authorities and the UK FCA, in the event of Brexit. The signing was held in the first week of February.

The panellist indicated the critical role the FCA plays on both a national and international level. She said: "UK firms are a loud and welcome voice at the table right now."

She added: "The FCA plays a huge role—writing legislation, managing incoming regulations purely for solely regulated FCA firms."

The panellist went on to suggest that she knew a European-based investor who had just invested in a private equity fund within the UK. She said this indicated "a show of confidence in the UK market and indicates London isn't going away in terms of being a private equity hub for the financial industry".

She affirmed: "London remains on the map. London remains the centre of excellence. There is an innovative and positive outlook for London."

Brexit was also mentioned in the following panel exploring the UCITS landscape.

Panellists mostly agreed that Brexit could ultimately limit UCITS sales across border funds, to which one panellist affirmed, could lead to a more bifurcated market across Europe.

She added: "Brexit means it will be harder to get a UK voice around the legality table. We [the UK] may no longer have that loud voice for decision making."

Another panellist reminded delegates that post-Brexit, "UK UCITS will qualify as AIFs in the case of a 'no deal' scenario".

A later panel in the day discussed how MiFID II has welcomed a healthy rationalisation of relationships within the industry. However, opinions differed between panellists.

Another stated: "Firms still don't have very good data on who their distributors are, or who it is their actually dealing with. A staggered approach toward different distributors might be the answer, but that's easier for bigger firms."

Implemented on 3 January 2018, MiFID II regulates firms that provide any services to clients linked to financial instruments and venues where these instruments are traded.

Speakers on the panel discussed at length what should be included in a possible MiFID III regulation.

One panellist predicted: "There would probably be more inclusion of environmental, social and governance or a bigger concentration on the sustainability responsibilities of big firms."

He added: "Beyond that, however,  I don't have a crystal ball, I don't want the same complexity to it."

Another said there should be a framework in place "to better compare total cost and better investor protection. But I fear a MiFID III will end up more rigid and less flexible".

Another panellist concluded the panel, affirming: "MiFID III should drive the kind of behaviours we should have taken ourselves."

When the time came for audience questions in this particular panel, one audience member questioned the usefulness of reports and information on transaction costs "given current constraints and diverse approaches in equities".

The audience member added: "Sometimes, data on this is carried out four months or more after the relevant period. Is this even still in date in most cases?"

The panellist said in reply that the comment was fair and he agreed with the audience member, to an extent. But he added: "Reports are always going to be based on historical figures. The Packaged Retail and Insurance-based Investment Products might be the answer to delegate this better."

In another panel, 'Spotlight on AIFMD and alternative funds', panellist discussed how effective AIFMD had been for the industry since its implementation back in 2011.

They agreed that AIFMD had changed the industry since its introduction and concurred there is a "good 50 percent blend between the use of UCITS and AIFMD, globally".

One speaker stated: "UCITS has developed into a brand. In that respect, AIFMD has the potential to develop a similar brand. These two jurisdictions blend together, you know what you're getting."

But one panellist explained that she didn't think AIFMD had benefited the industry enough.

She explained: "AIFMD was supposed to reduce overall risk with over-leveraging and it was expected it would mean more money flowing toward small and medium-sized enterprises, but this simply hasn't been achieved."

She added: "The question is higher transparency. But to whom? Who is benefitting from this transparency? Has it done what it was supposed to? I don't think so."

"I'm critical of AIFMD because it is over-the top and there's this 'shoes we had to fill' notion concerning it. I know it's only seven years old, but there's still a long way to go before we see progress."

The three panellists briefly discussed Brexit to which one said: "There are no panics from distributors or end investors, that I'm seeing anyway."

She added: "There's some hesitance to invest but not a lot. It's largely business as usual." AST

# Turning obstacles into opportunities

**South Africa holds its own among many financial hubs within the African continent. But how can automation further extend South Africa's capabilities on to more of a global level?**

*Jenna Lomax reports*

Sitting at the tip of the African continent, South Africa has welcomed the growth of its asset servicing in the last 20 to 30 years and is now an established market, with the ability for more growth.

Though there are some concerns, the custody market, in particular has become somewhat saturated and the future may bring cost pressures within the South African banking infrastructure.

But for now, at least, South Africa offers a global custody service. As Jacquelynne Anderson, director and regional executive of sub-Saharan Africa at BNY Mellon, says: "South Africa has a very well developed local and global custody service offering compared to the rest of Africa."

She adds: "The model is typically one of the partnerships between a local bank and a global one. African custody banks tend to offer local custody, and again will either partner with their 'head office' bank or a well-known global custodian in order to offer a complete service to clients."

Rajesh Ramsundhar, head of investor services at Standard Bank South Africa, says: "South Africa has a well-developed and sizeable financial market with an abundance of local and foreign investor activity. From an infrastructure, technology, product suite and expertise perspective, asset services in South Africa compare well to providers in global markets."

But for many years it was reasonably siloed, there was one exchange and one central securities depositories (CSD) for the whole South African market. As Anderson affirms: "This has already started to change with new exchange and CSD licences being issued and one of the newer exchanges, A2X, making significant in-roads."

A2X, a leading stock exchange in the South African market-place, is licensed and regulated by the Financial Sector Conduct Authority (formerly FSB) and the Prudential Authority (SARB).

In the first quarter of this year, SARB published a policy paper on how providers of e-wallet and other services around crypto-currencies could be required to register with the government.

The initiative is intended to help protect investors and users of cryptocurrencies but, according to SARB, will also make it easier to enforce tax and other laws.

So it seems South Africa's asset and technology are undergoing an evolution. But how does this evolution apply to funds and custody, if at all?

## Funds and custody

Ramsundhar highlights: "The South Africa custody and clearing markets have remained flat to marginally up in the past two years, despite market changes."

"The market is saturated in terms of custody providers and one could argue that there are probably one or two providers too many."

Though this may be the case for custody and clearing, Anderson indicates BNY Mellon is seeing "many new frontiers and emerging market funds open up, utilising the allocation to Africa."

For one, Benguela Global Fund Managers has selected Prescient Ireland for UCITS ManCo and fund administration services.

Benguela Global Fund Managers was established in 2013 and manages South African and global equity mandates out of Johannesburg.

Elsewhere, Asba Group is to acquire Societe Generale's custody, trustee and derivatives clearing services, also operated in Johannesburg.

Absa Group, a financial service provider, offers personal and business banking, credit cards, corporate and investment banking, wealth and investment management.

According to Societe Generale, Asba agreed to acquire the related activities conducted by Societe Generale's in South Africa, notably its client portfolio, IT systems and all the employees dedicated to these activities.

The transaction is subject to the approvals of the relevant authorities, which are anticipated to be obtained before the end of 2019.

In addition, Coronation Fund Managers, an independent asset manager in South Africa, has gone live on IHS Markit's enterprise data management managed service.

Coronation has invested in the new data management platform to provide a solid foundation for the firm's global client base.

## Technology

Ramsundhar states: "In terms of technology, South African providers have leading and robust custody technology solutions that cater for high volume and high-value activity."

He adds: "Due to the scale of the market, asset services in South Africa tend to have more automation and straight-through processes in their asset servicing operations versus providers in other African markets. In addition, South African providers have extended their product suite beyond custody and have built skills and expertise that are fairly advanced and comparable to developed markets."

Though, Jon Hugill, group information systems head for Maitland, says: "When it comes to automation, the industry, is certainly facing a few challenges. However, it's all about turning these perceived obstacles into opportunities."

He adds: "Providing academies and internship programmes can re-skill many people to become either robotic process automation (RPA) analysts or developers, creating new capability sets, and perhaps even a new industry—imagine Cape Town, or South Africa, as a global centre of excellence for RPA."

"An important shift is required within ICT teams to recognise that RPA, while a form of automation, sits in a very different niche to the legacy automation tools. In fact, RPA can be a brilliant way for the business and ICT to come together."

And, as Ramsundhar mirrors: "Technology advancements including automation, artificial intelligence and machine learning, can only be seen as an opportunity to advance the capital market and the value chain that supports the market."

He adds: "An asset services provider has to embrace and see these technology advancements as a mechanism to shift resources away from conventional processing and mundane tasks to more value add activities such as insights and information."

"Processing is a given in asset servicing, it's a ticket to the game, the value you add beyond processing and the insight you provide is what will sustain the business going forward."

## The future

South Africa's automation and robotics may indeed grow, as we move toward the next decade, provided it is underpinned by attention and value. But Ramsundhar indicates other challenges the country faces, including cost pressures and regulation.

He says: "It's difficult to see the foreign players continue in a market with sub-scale businesses, given the overall cost pressure in the banking industry and the regulatory requirements."

He adds: "While we do see the asset servicing business growing on the back of positive economic and market developments, foreign asset services will have the challenge to grow beyond a point and this is largely driven by policy and practice by local asset owners in South Africa to appoint indigenous providers."

But what else can South Africa expect concerning collateral management, settlement and the emerging use of cryptocurrencies globally?

Anderson affirms: "I believe we will continue to see our market infrastructure development, with a central counterparty and alternate avenues for collateral management, and along with this, cheaper costs to trade, clear and settle."

Ramsundhar remarks: "Looking ahead, asset servicing will not be about processing and settlements, it will be about risk management and liquidity, insights and information."

Hugill states: "At Maitland, we believe that blockchain will be a significant disruptor in the funds trading and custody sectors, bringing together large aspects of the industry."

He adds: "The challenge for all will be to become leaner and meaner, with RPA being a key tool in achieving this." AST

## Comings and goings at BNY Mellon, SGG Group and more

**BNY Mellon's CEO of treasury services Paul Camp has joined the firm's executive committee.**

Camp will continue to report to Todd Gibbons, CEO of clearing, markets and client management.

Prior to joining BNY Mellon in August last year, Camp led global teams across cash management, trade finance and commercial payments for over 25 years.

Camp joined BNY Mellon from HSBC, where he played a role in the business transformation and innovation effort for global liquidity and cash management.

He has also held roles at Circle Internet Financial, J.P. Morgan and Deutsche Bank.

Charlie Scharf, chairman and chief executive officer of BNY Mellon, said: "Paul Camp's leadership will be key in driving innovation in treasury services, an important business for BNY Mellon and our future growth."

"Camp is a strategic thinker and change agent who is passionate about improving our company. His experience across a broad array of businesses will make him a valuable addition to our executive committee as we continue to focus on organic growth and evolve BNY Mellon's capabilities to better serve our clients."

**SGG Group has appointed Serge Krancenblum to the new position of group executive chairman and chair of the group's supervisory board.**

Mark Pesco will take over Krancenblum's role as CEO. Both appointments are subject to regulatory approval.

As group executive chairman, Krancenblum will chair the supervisory board of the group and act as an adviser to Pesco.

Krancenblum will lead mergers and acquisitions strategy and drive the group corporate social responsibility agenda.

As group CEO, Pesco will be responsible for setting the strategic direction of the business and the day to day management of the business.

Pesco joined SGG Group as group segment leader of private clients following the acquisition of First Names Group in 2018 where he previously held the role of CEO.

Commenting on his new role, Pesco said: "I feel extremely honoured to have been given this opportunity at this point in the group's evolution".

"Serge Krancenblum has been a tremendous catalyst in this business; his vision together with the support of our private equity partner Astorg has delivered us to where we are today; my job is to build on this success."

Krancenblum added: "I am really pleased to have found in Mark Pesco the ideal candidate to succeed me as group CEO. Being able to select someone of his calibre from within our own ranks evidences the incredible pool of experienced and talented people we have within our business."

**MUFG Investor Services, the global asset servicing arm of Mitsubishi UFJ Financial Group, has appointed Daniel McNamara as chief strategy officer.**

Based in London, McNamara will report to John Sergides, CEO of MUFG Investor Services.

McNamara will support and shape MUFG Investor Services' long-term growth plan.

McNamara will be responsible for the six lines of business within MUFG Investor Services, focusing on the use of capital and resources across these business lines, overseeing the delivery of new client solutions, and developing a set of standards and best practices regarding products and services.

McNamara brings 20 years of experience in securities services, fund administration and commercial and investment banking.

He joins from Deutsche Bank AG, where he held several positions over the last nine years.

Most recently, he was digital business development officer and general manager for Deutsche Bank's payments business and was responsible for leading the development, implementation and commercialisation of financial technology opportunities for that business within the global transaction banking division.

Commenting on his new role, McNamara said: "MUFG Investor Services is an organisation that I have admired for a long time and share many values with. The company has an established reputation for producing best-in-class products and providing a range of solutions to help meet the needs of its clients."

He added: "I look forward to working with the global team to execute the new strategies and support the continued transformation and growth of the business."

Sergides commented: "We are very pleased that Daniel McNamara has decided to join MUFG Investor Services given his decades of experience developing and executing new strategies in the custody and investor services spaces."

He added: "McNamara's appointment reflects our commitment to developing new solutions to improve MUFG's platforms and help our clients remain both competitive and efficient when faced with the increasingly challenging business conditions."

**GPP, the prime broking, investor services and wealth solutions firm, has appointed James Parker as chief risk officer (CRO), a newly-created role.**

Parker's appointment is part of GPP's strategic expansion of its senior leadership team and follows the recent hire of Todd Johnson as COO.

Prior to GPP, Parker served at Société Générale as European head of risk management for more than five years.

Before Société Générale, Parker served as head of clearing at J.P. Morgan and executive director of valuations and model control oversight at Lehman Brothers.

GPP was founded as a custody and clearing firm in 2008 and now has prime brokerage and wealth solutions divisions.

Julian Parker, CEO at GPP, said: "James Parker's appointment to the new CRO role highlights our commitment to growth."

He added: "Bolstering the management team was a priority for the firm heading into 2019 and Parker adds great industry expertise and experience to GPP. I look forward to working alongside him." AST