asset servicing times

The primary source of global asset servicing news and analysis

ISSUE 211 20 March 2019

Gaining Momentum

Christian Wutz of Société Générale highlights Germany's asset servicing strengths and the trends gaining momentum

Digital Exchange.

Fully integrated digital asset trading, settlement and custody.

From a regulated infrastructure provider.

Solutions for the future. Now.

DIGITAL
EXCHANGE

Apex acquires US fund administrator

Apex Group has acquired Atlantic Fund Services, a US-based fund administrator.

The acquisition adds $12 billion in assets under administration to Apex Group's portfolio.

The addition of the Atlantic business expands on Apex's growing presence in North America, adding 75 people in Portland, Maine to existing offices in Atlanta, Charlotte, Chicago, Costa Mesa, New York and San Francisco.

Atlantic Fund Services is part of a continued acquisition streak from Apex. Since the end of 2017 the portfolio company of Genstar Capital has acquired Deutsche Bank's Alternative Fund Services, M.M.Warburg & CO's Asset Servicing business, LRI Group, Ipes and Custom House.

Peter Hughes, founder and CEO at Apex Group, said: "The addition of the Atlantic team to the Apex Group is particularly valuable when it comes to our US capabilities and the ability to service 40-Act funds. We have a strong focus on building our presence in the Americas and Atlantic's successful mutual fund service model adds further weight to our investment in the US."

John Keffer, chairman, Atlantic Fund Services, said: "The decision to join Apex is an acknowledgement of our ongoing commitment to providing our clients with first-rate products and services, and our people with lasting career opportunities. As we add our registered fund services to Apex's expansive product line-up, the combined offering becomes compelling."

Terms of the agreement are not being disclosed.

Contents

asset servicing times

W: **www.assetservicingtimes.com**
T: **@ASTimes_**

Editor: Becky Butcher
beckybutcher@blackknightmedialtd.com
+44 (0)203 750 6019

Reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)203 750 6018

Reporter: Maddie Saghir
maddiesaghir@blackknightmedialtd.com
+44 (0)203 750 6019

Contributor: Barney Dixon

Designer: James Hickman
jameshickman@blackknightmedialtd.com
+44 (0)203 750 6021

Publisher: Justin Lawson
justinlawson@blackknightmedialtd.com
+44 (0)203 750 6028

Associate Publisher: Joe Farrell
joefarrell@assetservicingtimes.com
+44 (0)203 750 6024

Office Manager: Chelsea Bowles
accounts@blackknightmedialtd.com

Published by Black Knight Media Ltd

Osmosis selects Northern Trust for fund admin

Osmosis Investment Management has appointed Northern Trust to support its MoRE World Sustainable Market Neutral Fund.

According to Northern Trust, this is a sustainable investment fund taking long positions in resource-efficient companies, and short positions in inefficient companies across developed markets.

Services provided by Northern Trust include fund administration, foreign exchange algorithmic trading and liquidity management solutions.

The fund is supported by Prescient Fund Services (Ireland) on the Prescient ICAV platform, which is geared towards supporting growing boutique to mid-sized asset managers.

Northern Trust also supports the operation of this platform as Prescient's custodian and appointed depositary under the EU's UCITS regulations.

Ben Dear, CEO of Osmosis Investment Management, commented: "Northern Trust has supported several of our previous fund launches and we're excited to extend our relationship with them on this fund. As well as our history of working in successful partnership, Northern Trust's track-record of working with leading global asset managers gives us the utmost confidence they have the expertise and capability to support the continued scaling-up of this fund and our broader business."

Clive Bellows, head of global fund services Europe, the Middle East and Africa of Northern Trust, added: "We see an increasing trend of asset managers launching responsible and sustainable funds and are delighted to expand our relationship with Osmosis."

DTCC outlines responsibilities of security token platforms

The Depository Trust & Clearing Corporation (DTCC) has outlined guiding principles for post-trade processing of tokenised securities in a new whitepaper.

In the whitepaper, DTCC identified responsibilities that should be expected of any platform that provides post-trade processing of security tokens, including those related to custody and asset servicing.

For example, security token platforms should have robust accounting practices, safekeeping procedures and internal controls that fully protect assets for which the platform is responsible.

The whitepaper further outlined other function-based guiding principles for regulators and market participants for the post-trade processing of tokenised securities, which it said are essential to the development of regulation and industry rules to govern the post-trade processing of security tokens or other crypto assets.

DTCC said: "The market for trading crypto assets that are security tokens where the post-trade processing uses distributed ledger technology (DLT), has created a need for safety, security and reliability around these transactions to protect market stability."

It added: "DTCC highlights that DLT introduces characteristics that are distinct from the market structure for traditional securities, therefore creating unique requirements in the design and application of appropriate regulations and post-trade processing structures."

Other responsibilities that DTCC stated should be expected of any platform that provides post-trade processing of security tokens included a well-founded, clear, transparent and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions, as well as governance arrangements to support the operation of the platform.

It said: "The governance structure should, at a minimum, include effective rules

regarding functionality and risk management. Generally, a security token platform should be expected to provide clear and certain final settlement and no matter its structure, a security token platform should have a sound framework for comprehensively managing legal, credit, liquidity, operational and other risks."

ESMA explains no-deal Brexit effect on OTC trade reporting

In an event of a no deal Brexit, transactions concluded on UK trading venues would be considered over-the-counter transactions (OTC), according to European Securities and Markets Authority (ESMA).

Therefore, UK venues would be subject to the post-trade transparency requirements pursuant to Articles 20 and 21 of Markets in Financial Instruments Regulation (MiFIR).

This would be in the case of a no-deal Brexit where trading venues established in the UK will no longer be considered EU trading venues.

ESMA noted this in a public statement, which among other things provided opinions on third-country trading venues for the purpose of post-trade transparency and position limits and post-trade transparency for OTC transactions.

It was expressed that ESMA aims to avoid double-reporting including commodity derivatives contracts traded on third-country trading venues in the position limit regime.

In order to avoid this, in 2017, ESMA published two opinions on third-country trading venues in the context of the second Markets in Financial Instruments Directive (MiFID II)/MiFIR.

The first opinion clarified that investment firms trading on third-country trading venues meeting a set of criteria are not required to make transactions public in the EU via an approved publication arrangement (APA).

The second opinion clarified that commodity derivatives contracts traded on third-country trading venues meeting a set of criteria are not considered as economically equivalent

World Bank chooses SimCorp for settlement and fund administration

The World Bank has chosen SimCorp's middle and back office solution SimCorp Dimension for its settlement, fund administration and corporate actions.

SimCorp Dimension will also be facilitated by The World Bank for asset management, collateral management, cash and securities management, investment accounting, reconciliation, performance management, risk, data warehouse interbank offered rates and general ledger.

The agreement was signed in late 2018.

James Corrigan, executive vice president and managing director of SimCorp, North America, said: "We feel very privileged to support the goals of The World Bank and their investment management operations with our intuitive multi-asset platform."

He added: "This is another example where we partner with our clients to modernise balance sheet operations and ultimately optimise investment decision-making for future growth."

JTC enhances fund platform with Luxembourg depositary licence

JTC can now offer a full range of services to alternative investment funds (AIFs) domiciled in Luxembourg after it was granted a depositary licence by Luxembourg's Ministry of Finance.

According to JTC, the new licence significantly strengthens its capabilities within the EU, enabling it to offer a comprehensive Alternative Investment Fund Managers Directive compliant solution to private equity, real estate and other alternative managers.

JTC is also able to offer depositary services in the UK through its partnership with Indos.

Xavier Duhem, director of depositary services, JTC Luxembourg, said: "Being granted this licence puts us in a very strong position in Luxembourg to provide a full service, one-stop-shop to fund managers' clients, building on our existing and highly successful strategy in the jurisdiction."

He added: "We have already received significant interest in our new depositary service and, particularly against a backdrop of Brexit-driven uncertainty, we fully expect this trajectory to continue, as asset managers look for a robust, seamless and certain platform to support their EU distribution ambitions."

over-the-counter contracts for the position limit regime.

Since the UK is currently a member of the EU, ESMA has not assessed any UK trading venue against the criteria set out in the two opinions so far.

According to ESMA, they stand ready based on requests from EU27 market participants, to carry out such assessments.

Commenting on ESMA's statement in a blog, Anne Plested, a regulatory expert at Fidessa, noted that ESMA's clarification that EU investment firms will have to publish their OTC trades via an EU APA, if a UK counterparty is involved, could be problematic.

Plested cited: "While in Europe this approach may serve to ensure post-trade transparency within the EU27, it is also true that the UK counterparty could be required to publish that trade to a UK APA."

"This sounds to me like a recipe for a return to the problem of OTC duplicate reporting, despite MiFID II's decade of making efforts to improve on that situation."

She added: "In case of a no-deal Brexit, UK firms will become third country counterparties when facing the EU, and with no equivalence granted, pan-European participants may end up shedding a bit too much light on OTC volumes."

SETL selects Quantuma to help with corporate reorganisation

SETL, the London-based institutional payment and settlement infrastructure provider using blockchain technology, has started a corporate reorganisation after completing the development of its ID2S and IZNES platforms in Paris.

As part of the reorganisation, the board of SETL has appointed Quantuma LLP as an independent administrator.

Quantuma's role will be to help shape the future structure, enable the company to balance its strategic infrastructure holdings and continue

its software development activities on business as usual basis.

SETL made significant capital contributions to ID2S, the regulated central securities depository (CSD). In October last year, the platform successfully completed its T2S connection testing and was fully approved under the Central Securities Depository Regulation.

Sir David Walker, SETL's chairman, said: "Separating the software development business from the investments portfolio is a highly complex process, requiring expert, experienced and neutral management of the interests of all the creditors and stakeholders. The directors are all fully engaged and aligned in this approach."

Andrew Andronikou, joint administrator and Quantuma partner, added: "This marks a significant moment for SETL and we are honoured to have been entrusted to work on behalf of the business and its investors. We are highly experienced in navigating these milestones to ensure that businesses are fit for the future and look forward to helping SETL in its quest for growth."

Viteos to support Intertrust on technological innovation

Intertrust has chosen Viteos Fund Services to support its technological innovation.

Intertrust is a global provider of administrative services to clients operating and investing in the international business environment.

Stephanie Miller, CEO of Intertrust, said: "Innovative technology solutions developed by Viteos for similar industries are exactly what our clients are waiting for, offering a seamless and effective experience."

She added: "While enabling our clients to grow their global business sustainably, they also want tailored solutions to operate efficiently, transparently and with full insight into relevant data. This is precisely what we will be doing in partnership with Viteos. The partnership with Viteos is another step of our strategy to become

Hawaii ERS reselects BNY Mellon for asset servicing

BNY Mellon has been reselected by the Employees' Retirement System (ERS) of the State of Hawaii to provide global custody and associated services. BNY Mellon will provide global custody, accounting, securities lending, foreign exchange and cash management to ERS.

The bank was reappointed following a five-year review.

Thomas Williams, executive director of Hawaii ERS, said: "We are striving to raise our administrative practices and investment activities to the next level. Our in-depth review process confirmed for us that BNY Mellon is the partner best suited to support our longer-term vision and in more than a couple of areas, to enhance it."

Robert Dollard, managing director, BNY Mellon Asset Servicing, added: "We are very pleased to be continuing our relationship with Hawaii ERS, developing solutions and implementing best practices to meet their ongoing challenges and needs, in particular, their growing focus on risk and performance analytics and reporting."

ABN AMRO opens Sydney branch

ABN AMRO has opened its Sydney branch after receiving approval for a banking licence from the Australian Prudential Regulation Authority in October 2018.

The opening of the branch builds upon ABN AMRO Clearing's securities services business that celebrated its 20th anniversary in Sydney last year.

ABN AMRO also has offices in Hong Kong, Shanghai, Singapore and Tokyo.

Rutger van Nouhuijs, CEO of corporate and institutional banking at ABN AMRO, said: "ABN AMRO's clients already do business in Australia with four out of five of its largest trading partners located within the region accounting for almost half of its total exports."

Jaap Kalverkamp, CEO of Asia Pacific, commented: "Australia has many internationally active home-grown companies in sectors we cover. We are looking to share our expertise and experience as a sector bank to support Australian and other Asia Pacific companies."

the leading tech-enabled corporate and fund solutions provider."

Shankar Iyer, CEO of Viteos, commented: "Building technology solutions is the DNA of Viteos and our investment over the past decade attests our commitment to making a difference in a complex industry."

He added: "Providing our technology to manage full fund administration and operations outsourcing will benefit Intertrust and its clients. We're delighted to partner with a company who is as focused on quality and innovation as we are."

NSD signs up for SWIFT gpi

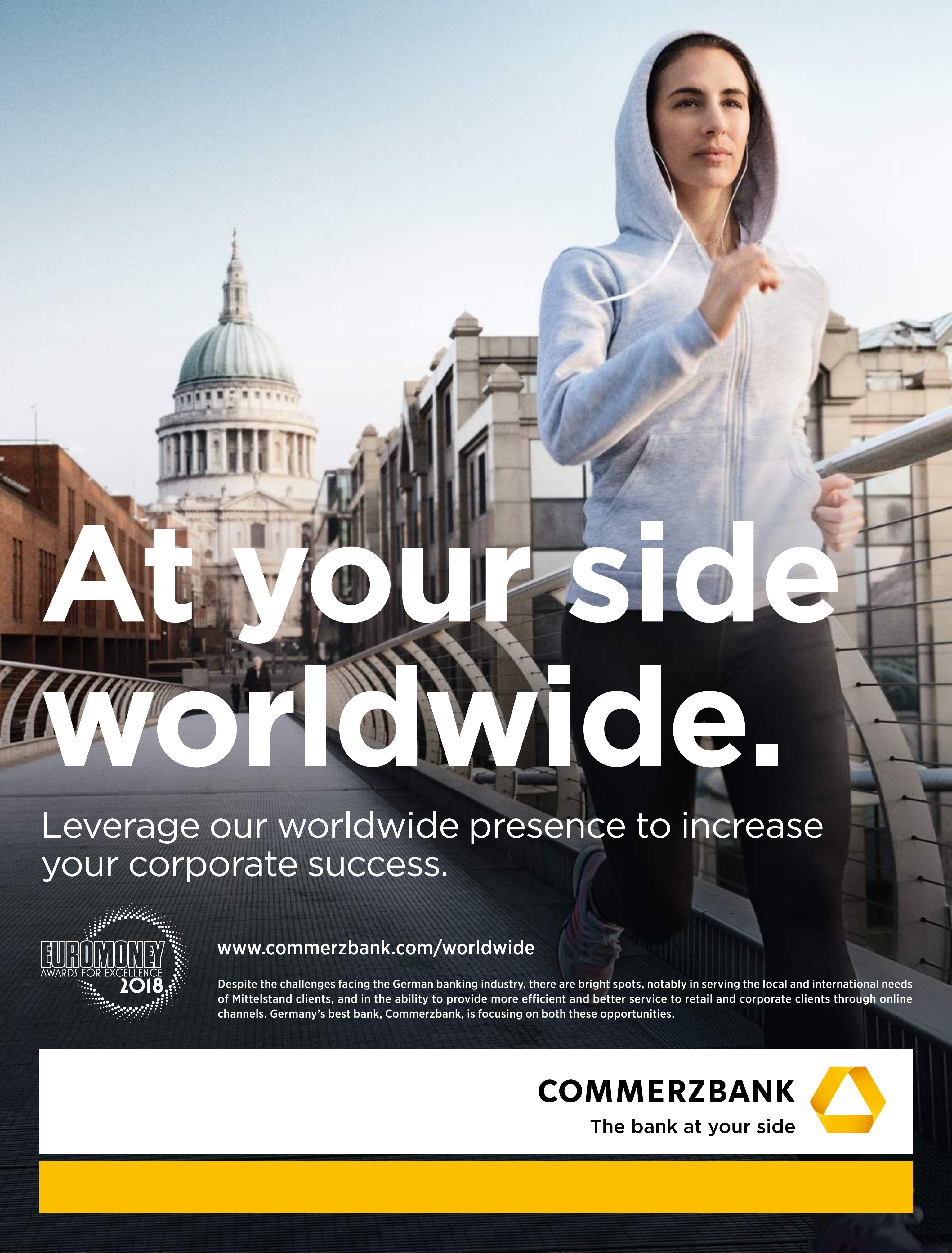
The gpi is a cross-border payments service that provides real-time payments tracking and transparency on bank fees and foreign exchange rates.

The service also enables end-clients to track the status of their payments from end-to-end and provides visibility into each payment, including information about each bank in the payment chain and any fees that have been deducted.

Eddie Astanin, chairman of the board at NSD, said: "NSD takes a proactive approach to the implementation of innovative solutions which create new value for our clients. That is why we think that SWIFT's gpi service will help provide an improved environment for clients undertaking cross-border payments. We also consider the gpi technology as a promising solution for transactions involving securities."

He added: "To develop services for our clients, we have to improve the quality of NSD's operational and technological interactions with SWIFT, a global provider. Thus, our connection to the new direct support service is a logical and timely step. Access to this service will allow NSD to offer effective and high-quality services to clients."

Alain Raes, chief executive for Europe, Middle East and Africa and the Asia Pacific at SWIFT, said: "I am delighted that NSD has signed up for gpi and will be able to extend the


At your side worldwide.
Leverage our worldwide presence to increase your corporate success.
EUROMONEY
AWARDS FOR EXCELLENCE
2018
www.commerzbank.com/worldwide
Despite the challenges facing the German banking industry, there are bright spots, notably in serving the local and international needs of Mittelstand clients, and in the ability to provide more efficient and better service to retail and corporate clients through online channels. Germany's best bank, Commerzbank, is focusing on both these opportunities.
COMMERZBANK
The bank at your side

benefits to its customers. SWIFT gpi tackles the frictions, costs and delays associated with cross-border payments."

He added: "By adopting this new standard, NSD will be able to offer its customers a far more efficient cross border payments service. We look forward to seeing other CSDs around the world follow suit."

SIX chooses Corda's R3 platform for its digital exchange

Corda Enterprise, R3's blockchain platform has been chosen by SIX to provide blockchain technology for its digital asset listing, trading, settlement and custody service, SIX Digital Exchange (SDX).

Corda Enterprise has been designed specifically for regulation compliance with requirements designed around the quality of service and the network infrastructure in which they operate.

Corda Enterprise is the commercial distribution of Corda.

R3's members and investors include ABN AMRO, Barclays, BNP Paribas, Citi, Commerzbank, Credit Suisse, CS Affiliates, Deutsche Bank, HSBC, Natixis, RBC, Société Générale and UBS.

Sven Roth, a member of the management team at SDX, said "As a highly regulated and trusted financial market infrastructure provider, SIX must operate at the highest levels of security and stability. We felt Corda Enterprise was the best fit for the scale and breadth of service we envisage with SDX."

David Rutter, CEO and founder of R3, said: "Representing assets as tokens on a blockchain platform is one of the most impactful applications of the technology and a key focus for R3. SDX is pioneering this development and, as a blockchain platform machine-tooled for regulated, enterprise environments, Corda is the perfect partner for the project. This is an important vote of confidence in R3's technology to deliver results and build a more efficient market environment." AST

CSC selects FIS as administration services provider

CSC has selected FIS to manage third-party administration services for its private equity and real estate clients.

Additionally, CSC will be employing FIS Investran and FIS Data Exchange as part of the partnership.

Meanwhile, Investran supports the entire investment lifecycle and automate front, middle, and back office processes for private equity and alternative investment firms.

CSC is initially rolling out the solution in the Asia-Pacific (APAC) region and is expected to expand its use to other offices around the globe.

Bill Popeo, president of CSC's global financial markets business, said: "FIS has built a reputation as one of the most secure global technology providers serving fund administrators with the Investran and Data Exchange platform."

"FIS, much like CSC, offers best-in-class systems, solutions, and service. This partnership is a significant value-add to our growing private equity administration, reporting, and accounting services."

Martin Boyd, head of institutional and wholesale business, FIS, commented: "We are honoured to be selected as CSC's administration solution for its fund administration clients. Our technology leadership along with CSC's record of delivering the highest levels of service makes this a powerful combination."

Chris Daly, vice president of CSC's global financial markets in the APAC region, added: "Those partnerships happen when you team up with an organisation that understands your interests as much as their own."

Germany remains an attractive market

Christian Wutz of Société Générale highlights Germany's asset servicing strengths and the trends gaining momentum

Jenna Lomax reports

How well placed are asset services in Germany, compared to its neighbours (and competitors) in central and Eastern Europe?

As one of the largest asset servicing markets in Europe, it is also one of the most competitive, with well-informed and experienced customers setting high expectations.

Germany furthermore disposes over a historically high asset safety standard (even prior to EU regulations) and hence will remain an attractive market, last but not least due to its strong economy being of critical importance with a large interlinked number of players.

What trends are you currently seeing in Germany's asset servicing market?

There are a number of trends we see that are gaining momentum, especially the inclusion of environmental, social and governance (ESG)—criteria in the investment, controlling and reporting process, the outsourcing of front and middle-office services and an increased standardisation and harmonisation along the value chain.

With regard to the service providers, specifically, the fee pressure in a highly competitive landscape might ultimately lead to a further specialisation for small players and inorganic growth for large players/incumbents.

Is automation, machine learning and/or artificial intelligence causing challenges or providing opportunities within the industry? What can firms do to overcome such challenges or utilise these opportunities?

New technologies have a disruptive effect on our industry while offering opportunities at the same time. Choosing the right strategy when taking new technologies on board will be essential—which is incidentally a result of our survey on the main trends shaping the buy-side landscape by 2025 from last year. Firms can leverage new techs by taking a partnership approach and working with fintechs to provide their clients with services that add value and differentiate themselves from competitors, mitigating risks at the same time.

Société Générale Securities Services, for example, has partnered with a fintech for automated and instant drafting of performance commentaries for financial investment portfolios based on artificial intelligence. We believe that using a practical approach and incrementally introducing innovations will allow firms to become future-ready.

What trends are you currently seeing in clearing and settlement within Germany?

We see middle office services brought up in outsourcing conversations due to it being cost-intensive, with the ongoing fee competition constituting one of the drivers. This trend could eventually lead to a provider specialisation by volume.

Is Frankfurt looking to capitalise on Brexit?

Frankfurt is aiming to strengthen its position as a financial centre both in Europe and globally. However, it is likely, it will be more steady growth over time rather than immediate gains.

There are concerns in the industry that Brexit poses a threat to the harmonisation effect of the CMU. How is your firm prepared for this eventuality?

These concerns are valid and first and foremost our intention is to continue to fully support our clients' business under all possible scenarios regardless of the outcome of the negotiations between the UK and the EU.

One of the main strengths of the EU is the harmonisation of standards and common positions, in particular from a legal and regulatory point of view. Many rules and procedures may change when the UK is no longer in the EU. However, from a practical point of view, one might want to distinguish the current status from the future. Due to its longstanding membership, UK rules are at present on a harmonised level with EU laws and this is not going to change immediately. Due to the situation that Société Générale has offices both in the UK and in the EU, the bank will be able to handle and adapt to the different requirements.

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

A further, incremental increase of regulatory requirements will make the market environment even more challenging for all the players. Only those who have set themselves ambitious targets in increasing productivity and efficiency are successfully implementing new technologies that are the most conducive to their business (or collaborate with fintechs), and simply "do the right thing" in regard to outsourcing versus in-house, will survive.

Smaller market players especially are vulnerable to absorption, if they have not found a niche to specialise in.

Finally, we see a slowing down of the fee competition, as pricing levels are relatively low already, and a race to the bottom can only produce the poor quality that is, we hope, not going to find acceptance in our market. AST

Choosing the right strategy when taking new technologies on board will be essential

Christian Wutz
Managing director of Securities Services
head of coverage, marketing and
solutions, Germany
Société Générale

Change is not a threat, but an opportunity

As delegates gathered for the annual ALFI European Asset Management Conference in Luxembourg, topics discussed varied from the latest news on Brexit to the pressing issues surrounding the ESG and climate change

Jenna Lomax reports

Brexit and the implications of climate change on the financial industry were high on the agenda for this year's Association of the Luxembourg Fund Industry (ALFI) European Asset Management Conference, hosted at the Luxepo in Luxembourg on 5 and 6 March.

The theme for this year was "The 4 P's of asset management: product, people, progress and prediction".

One of the first panels focused on products and people and explored the impact of technology on the asset management industry. One panellist, Jan Sturesson, founder of Resting, stated technology in asset management is "not undergoing a revolution, but an evolution", in a session discussing the impact of technology on the world of work.

Sturesson said although there is currently a technology revolution, the industry is “overeducated but underskilled, overmanaged but underlead”.

He further indicated upskilling is essential for the European workforce to excel and completely new funds are needed, but questioned: “who has the business acumen for that, what business leaders will lead us there?”

Moderator of the panel, Sigrid Nygaard Johansen, chief commercial officer at KNEIP, asked if there was resistance for this type of change.

Sturesson answered: “The leaders that will facilitate these opportunities and change will succeed. They need to think outside the box, but it’s better if they think without the box. The right kind of leadership could help people thrive and be empowered.”

James Denning, vice president of Europe for Automation Anywhere, added: “You need to differentiate that resistance between leaders and employees. We’ve seen thousands of automation platforms evolve, where companies are welcoming to technology.”

“When a business declares clearly to its employees what’s going to happen to their salary and their schedule, those transparent companies should thrive.”

Johansen also asked panellists what they thought was the number one risk to firms within the industry. Denning suggested that keeping and retaining automation engineers was the number risk.

Sturesson affirmed: “Human Resources will become Human Right skilling in the future. There will be a mission to create a new kind of CEO—chief endorphin officers.”

Johansen then asked the panellists how they would describe a “digital worker”.

In answer to this, Sturesson stated: “It’s a human being who is very bold but humble in what they do, but who understands how automation can help us [the industry] to work better and control the technology to work for humans. They should also have a clear ethical understanding.”

Denning concluded: “We should give the high repetition, rules-based and high degree of accuracy jobs to robots. Leave empathy-related roles and everything on the creative side to people.”

Later in the afternoon, there was a session on Brexit in which, according to an interactive poll, 57 percent of the audience thought that a second referendum for Brexit is likely.

In the same poll, only 18 percent of the audience thought Brexit will likely go ahead as planned, while a further 10 percent suggested they thought a delay of more than a year was probable.

The panel, made up of directors and senior counsels of international investment firms, explored how firms can make the right moves and decisions as the deadline still reamins unclear.

One panellist said: “Personally, I think the EU and UK would be better off together, but my optimistic approach is dying hard, but I hope we could see a positive outcome.”

He said, his company, an investment management group, were prudent and have prepared themselves “for any outcome”.

Brexit talks dominated the first afternoon’s discussions as the second Brexit panel of the afternoon saw Denise Voss, chairman of ALFI, discussing the future of Brexit with John Marshall, the British Ambassador to Luxembourg.

Denise Voss, chair of ALFI, asked Marshall the consequences of a no-deal or hard Brexit and what that looked like from a UK perspective.

Marshall explained: “We still have an opportunity to vote on whether we leave without a deal or not. We have been working toward a no-deal scenario for a very long time now. There are a lot of measures that have been put in place for that eventuality.”

Voss then asked what would happen “once the dust has settled” and what could be expected, post-Brexit.

Marshall said: “We want an orderly exit that is looking like December 2020. The UK wants frictionless trade, but the EU doesn’t want to undermine the customs market.”

He added, in reference to financial services, “the removal of the freedom of movement would not mean the UK will be closed to business. The government will very likely put in place a system that attracts talent so financial services can continue to grow and prosper”.

The panel then took some questions from the floor. One delegate asked Marshall why the UK Government is not in favour of a second referendum and why it is looking unlikely it will take place.

Marshall indicated: "We are very close to getting a majority of the UK Parliament to agree on a deal, with some changes to this issue of the backstop."

"We are very close to that point."

"There is a view shared by many that a second referendum would be a very divisive proposition."

Toward the end of the first day, panellists discussed the struggle for the search for talent in asset management.

Ola Fadipe, head of talent for Europe, the Middle East and Africa at BlackRock, indicated: "The search for talent is not just looking for people who know big data, but the ability to make sense of data and access it at every opportunity for the right scenario."

On the same panel, discussing the industry's fight for talent, Martine Kerschenmeyer, senior client partner at Korn Ferry, indicated what asset management companies need is new candidates with a "sense of innovation and social commitment, with a mix of traditional skills as well as the financial know-how and a sense of the business."

Kerschenmeyer explained that "you can have the best business strategy in the world, but without the right people, there's no point in that strategy".

Sinead O'Donnell, director of DO Recruitment Advisors also weighed in, highlighting a recent industry study that predicted the financial industry could be 85 million people short by 2030.

O'Donnell added: "There's a need for people to have a stronger affinity with IT, but we mainly need operations people. In fund businesses, there now tends to be more streamlined roles."

The moderator, Susanne Schartz, COO at SEQVOIA, asked if more agility could be a new and effective model for the current industry skill shortage.

Kerschenmeyer said: "Businesses need people with digital knowledge and agile people that are able to adapt to new environments, those who are able to upskill."

Schartz concluded the session asking the panellists wishes or recommendations for real change.

Katharina Flechtner, chief of staff and head of business management at UBS, said: "Treat the change as not a threat but opportunity."

The second day concentrated on progress and prediction—mainly environmental social governance (ESG) and the effects climate change could have on the financial industry.

Gabrielle Walker, a strategist for climate change, started her session by quoting the Bank of England governor, Mark Carney.

He recently said: "Climate change presents significant risks for financial services stability, liability risks and risk from transition costs."

Walker indicated that if the Earth's temperature rises just four degrees, this could mean losses to assets of around $4.2 trillion in present value terms.

She said: "This is not a game of compliance or ticking boxes, the urgency is real."

However, Walker highlighted that the "fiduciary story is changing, people are starting to put climate change as one of their top priorities".

Walker further indicated that around 17 percent of European pension funds are incorporating ESG investment into their funds, and she is hopeful that percentage will rise in the years to come.

But she affirmed what sometimes stops investors from becoming involved in doing what they can to tackle climate change is the "lack of political and regulatory drivers".

However, she pointed out: "Companies worth a total of $7 trillion have already signed up to a voluntary task force on climate change. They see which way the wind is blowing. There are strategies to decarbonise."

In a panel entitled 'Impact investing in response to societal challenges', Uli Grabenwarter, deputy director of equity investments at the European Investment Fund, commented that unfortunately there is zero pressure from stakeholders in the asset industry to react to climate change.

He said: "When we look at the impact that is needed to secure our survival, we cannot be satisfied with the impact of investing or opportunistic impact investing, we need to engineer financial products to access needed funding."

He added: "It is [the financial industry's] own laziness that is the problem, because we don't have that incentive, as long as the money flows from somewhere else."

"The value of any business going forward will be equal to the value of the solutions it brings to societal challenges. Instant transparency and accountability will make societal responsibility the most decisive factor for competitiveness." AST

Moving to the cloud

Jon Hugill of Maitland explains why asset servicing firms are behind in embracing technology and what Maitland is doing for young people looking to get into the industry

Jenna Lomax reports

How have disruptive technologies affected the asset servicing industry over the last 12 months? What challenges have you heard from clients?

Although disruptive technologies have created a huge amount of uncertainty within the industry, with a technology lens, disruptive technologies like robotics are not intimidating at all. It's scary for many people who think they'll be replaced by the technology of this nature. But robotics, in particular, is a manageable technology as one has a high degree of control over where and when it is deployed. I think that it has been fairly well received by executives and technology specialists, but interestingly maybe less so than people actually affected by robotics on a day-to-day basis.

Certainly, blockchain hasn't quite been demystified yet. It has incredible potential, and although we have pilots of these processes globally, it seems to be stuck in the starting blocks. In the transfer agency business, in particular, there have been many impressive pilots conducted around the world where, without any human intervention, transactions are successfully completed in seconds. Despite these successes though, blockchain is yet to gain a meaningful foothold.

Within the asset servicing space, artificial intelligence (AI) has probably got the least traction, because it's such an unknown. From an asset servicing perspective, blockchain and robotics are probably favoured over other disruptive techs. The challenges lie with overlay and control functions and how we bring technology into the control space—and that's where AI can help us.

Ultimately, technology cannot be the basis for sustainable competitive advantage. However, the failure to implement these technologies may result in a competitive disadvantage and, ultimately, disintermediation.

Why is it important that financial services firms embrace technology? Do you think some firms need more education around how technology can be a help to them?

Asset servicing firms need to embrace technology. Since the very first day I joined Maitland fifteen years ago, we have been under pressure from our clients to deliver higher levels of automation, straight-through processing and reduce the number of human touch points in processes to reduce the risk of error.

The more breaks you have in a process, the more opportunity there is for error, financial liability and reputational damage. Asset managers' reputations can be easily damaged by errors which impact their investor base.

The timelines and pressures to deliver to our asset manager clients are being compressed all the time. We want to get closer to real-time net asset values (NAVs) and the concept of hours or days' delay between the closing of markets and NAVs being available is becoming less tolerable for clients and end clients. We need technology here to help close this gap while maintaining high levels of accuracy.

In some ways, we need better education around technology. What's interesting is the cost of technology has been coming down a lot and if you look at the boutique asset services out there, they probably didn't have the funding to invest in cutting edge technologies in the past. But if you look at some of the robotics and what's available now, the cost overheads are really tumbling down.

Why are digital offerings from fund administrators falling short of operational standards? How can this be improved?

The primary challenge is probably keeping pace with the skills that are required from technologists. Although quite expensive, these are bright, young people driving new revolutions in your business—bringing fresh ideas, not encumbered by legacy. In South Africa, these skills are in high demand at the asset managers, banks and of course the asset service providers.

At Maitland, we're starting an internship programme whereby we are bringing in bright, young graduates to develop their robotics capabilities because we want to increase the skills pool available to the marketplace. We hope they are excited about what we're doing and the change they can make in the industry and in our business.

Do you think collaboration with fintechs is the way forward? How can they help?

It's the only way forward. It's imperative to partner with fintechs. Although Maitland is more of a financial services firm, partnering with fintechs enables us to gain access to cutting edge tools and thinking. We want people that are really excited about the technology.

There are a lot of vendors out there selling these solutions, but they don't teach you how to embed it in your business. This is a gap in the current offerings.

We're early in the robotics journey, but the feedback from our clients is very positive: they love that we are delving into new technologies—we're starting to have those conversations with clients where we are looking to partner capabilities and leveraging collective knowledge, deploying robot solutions.

We don't want to shoe-horn in technology purely for the biggest financial gains, you want something that's sustainable and intelligent, as well as value-adding.

What role do you expect disruptive technologies to play over the next 12 months?

Robotics will gain a massive amount of traction and take off. The top robotics companies in the world are growing at a phenomenal rate.

I do hope the nut around blockchain will crack so it does get some broader adoption, which will create boundless efficiency. The challenge of blockchain is a community one, it really needs to be a utility service, rather than a particular provider.

The asset servicing and custody side will be shaken up by blockchain massively. If people aren't adopting, looking to adopt, partner with someone, or leverage a fintech utility, they could be in a lot of trouble.

We'll continue to see AI being used in the front office. By 2020, AI will start creeping more towards the middle and back office. But the primary challenge to all these aspects will be finding the people with the right skills.

What are the expected technology/back-office trends for 2019 from Maitland's point of view?

Robotics will remain our primary focus. The second major driver is moving to the cloud. We're looking at shifting to the cloud as much as we possibly can. Many of the traditional firms out there are under-estimating the processing power and scale of the cloud.

The choices of robotics and movement toward the cloud in asset administration are probably behind other industries, but unfortunately, the asset servicing industry is traditional and quite conservative. I see many other administrations moving in this same direction too. AST

By 2020, AI will start creeping more towards the middle and back office

Jon Hugill
Group information systems head
Maitland

Comings and goings at Vistra, Axioma, RBC I&TS and more

Vistra has appointed Alan Brown as group CEO and Geoff Weir as group CFO, effective April this year.

Based in Vistra's headquarters in Hong Kong, both Brown and Weir will join the company's board.

Brown has experience in leading global organisations, particularly businesses going through significant transformations. He has worked across a number of industries and has lived and worked in the UK, Europe, and Asia—with particularly strong China experience.

Most recently, Brown was CEO of ASCO Group. Prior to this, he held the CEO position at Rentokil Initial and was CFO at Imperial Chemical Industries.

Weir has held a number of group CFO roles with global companies, including Scotts Philips Associates, Exridge, Digicel and most recently Sinar Mas in Indonesia.

He has experience across strategy, planning, operations, merger and acquisition compliance, and risk management in multiple sectors.

Meanwhile, Simon Hinshelwood, who has been leading the business as the executive chairman, will resume his non-executive chairman role on the board.

Commenting on the appointments, Hinshelwood said: "Vistra has been on a rapid growth journey, expanding from a local company operating in five markets 10 years ago, to a truly global organisation with over 4,300 employees in 46 jurisdictions. I am confident that Brown and Weir's strong track record and expertise will enable Vistra to achieve its continuing growth ambitions and I look forward to working with them both."

Brown said: "I am delighted to be joining Vistra with the opportunity to lead the company in the next stage of its exciting growth and transformation journey. I look forward to working with Hinshelwood, the board, and our colleagues across the globe to maximise the opportunity the organisation has for both our clients and employees."

Axioma has appointed Amaury Dauge as president, a newly created position.

As president, Dauge will focus on enhancing execution and operational management as Axioma's growth continues to accelerate.

Dauge will report to Sebastian Ceria, founder and CEO of Axioma.

Meanwhile, Dauge will continue to serve as CFO, which is a position he has held since joining Axioma in June 2016.

Prior to Axioma, he was CTO of Euronext where he led the carve-out of Euronext from NYSE Euronext following its acquisition by Intercontinental Exchange (ICE).

He has also served as senior vice president for corporate planning and analysis at NYSE and played a role in the company's strategic transactions with ICE.

Ceria commented: "In an environment of increasing competition and shrinking margins, investment managers must up their game by leveraging best-of-breed solutions, analytics and data, all interoperably driven by modern, cost-efficient technology. With the ongoing development of our new axiomaBlue ecosystem, Axioma is well positioned for continued growth in both existing and new markets. Dauge's appointment as president will ensure that we fully optimise our internal resources in order to deliver the capabilities our clients need to achieve competitive advantage."

Dauge added: "Over the past three years, Axioma has almost doubled its headcount and extended its global footprint in support of our expanding client base."

"As we continue to grow, my focus will be on making sure that Axioma has the right structure, processes and resources to deliver on our vision at scale while maintaining the unique collaborative approach to client problem-solving that is Axioma's hallmark."

RBC Investor & Treasury Services (I&TS) has appointed Ronan Doyle as global head of product management, transfer agency.

Joining the Dublin office, Doyle will report to Paul Stillabower, managing director, global head of product management. He will be responsible for setting the strategic direction of RBC I&TS transfer agency product.

Previously, Doyle has served at the Bank of Ireland and Citi.

Commenting on his appointment, Stillabower said: "RBC I&TS is recognised as a leader in transfer agency in key markets where our service model, technology and connectivity to distributors add significant value to our clients and their investors. Ronan Doyle's extensive industry experience will be key as we continue to digitise our products and provide differentiated, data-driven service for our clients."

Northern Trust has appointed Lily Kwok as head of client services for its asset servicing business in Hong Kong, Macau and Taiwan.

Based in Hong Kong, Kwok will report to Michael Wu, country executive for the Greater China region at Northern Trust.

Previously, Kwok served as director of business relationship management at FinEX Asia Investment. She has also served at BNP Paribas Securities Services and State Street.

Wu commented: “We continue to see high demand from our asset owner and asset manager clients in the region for tailored solutions and enhanced asset servicing capabilities across the region. Lily Kwok’s wealth of experience will be instrumental in supporting our clients in reaching their goals across these key markets.”

Allen & Overy (A&O) has appointed Lee Alam as head of its new regulatory consulting practice.

Alam joins A&O Consulting from Commonwealth Bank of Australia (CBA), where he was the general manager of global regulatory affairs.

In this role, Alam was responsible for managing CBA’s regulatory approach and change projects.

Prior to serving at CBA, Alam was a managing director of J.P. Morgan Australia, responsible for the initial design and roll-out of its global culture and conduct risk programmes.

He also spent 12 years as the manager of the markets division at the Financial Conduct Authority in London.

A&O Consulting was launched in London in September 2018 with the hire of Sally Dewar as its CEO, who leads the business globally. Alam’s appointment is the first of a number of planned appointments internationally.

Jason Denisenko, managing partner of A&O Sydney, commented: “The establishment of this new advisory discipline in Australia is timely in the post-Royal Commission environment of increased regulatory scrutiny. Our clients have asked for a broader advisory capability to complement our market-leading legal practice, which will be answered through Lee Alam’s expertise in regulatory affairs and conduct risk.”

Dewar said: “A&O has extensive experience and market-leading legal expertise in financial services regulation in Australia, which when combined with this new capability will enable the firm to meet client demand for broader high-quality bespoke business-focused advice.”

She added: “A&O Consulting complements the firm’s existing legal services and broadens the firm’s role in managing clients’ regulatory risk and supporting control enhancement and remediation projects. We are excited to have someone of Alam’s calibre join the team.”

State Street has appointed Lou Maiuri to the role of COO.

Maiuri, who previously served as head of its global markets and exchange businesses, will be responsible for State Street’s IT, global delivery, global exchange, Charles River Development and product teams.

Maiuri will continue to serve on State Street’s management committee and report to State Street’s president and CEO, Ron O’Hanley.

Last year, State Street brought together all of its client-facing activities including service, relationship management and sales under the leadership of management committee member, Andrew Erickson.

This organisation includes the newly formed global clients division led by Donna Milrod.

Since rejoining State Street in 2013, Maiuri has held leadership roles with increasing responsibility and helped acquire Charles River Development as part of its front-to-back investment servicing platform strategy.

Prior to State Street, Maiuri held various roles at BNY Mellon including deputy CEO of asset servicing, head of the global financial institutions group within the asset servicing business and also as a member of the operating committee.

In addition, Liz Nolan, CEO for State Street in Europe, the Middle East and Africa (EMEA), has assumed responsibility for global delivery, managing the company’s global operations and infrastructure.

Nolan replaces Jeff Conway, who is leaving State Street after more than 30 years of service. Nolan will retain her EMEA CEO and UK responsibilities until a successor is appointed.

Karen Keenan, chief administrative officer, has expanded her responsibilities to include oversight for State Street’s global markets business, having led the group earlier in her career.

Keenan will continue to report to Ron O’Hanley.

O’Hanley said: “Bringing together the resources that drive our operating infrastructure, technology strategy and innovation under one leader complements the moves we have made with our client-facing activities to make State Street more seamless. An early focus of mine as CEO has been to match our leadership talent against our desire to be a high performing organisation and the areas that will create the greatest capacity and advantage for us as a firm. These new appointments reflect this focus. I want to thank Jeff Conway for what has been a remarkable career at State Street spanning more than three decades.”

Commenting on his new role, Maiuri said: “I am excited to take on this new role and lead the most transformative parts of our company.”

He added: “Focusing our resources and our financial and human capital on a common set of priorities and towards a common vision will accelerate our ability to succeed and strengthen our performance and position in the marketplace. Keys to our success will be driving greater automation, setting industry standards and enabling continuous innovation.” AST