asset servicing times

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ISSUE 214 01 May 2019

Canada Focus

Technology continues to play an important role for the market

New Projects

What is in the pipeline for SS&C Technologies after recent acquisitions?

ESG: The time is now

Find out what the industry is doing to become more committed to ESG investment

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Crédit Agricole S.A. and Santander to combine custody operations

Crédit Agricole S.A. and Santander are to combine their custody and asset servicing operations.

The new entity would combine CACEIS, the custody and asset servicing business of Crédit Agricole S.A., and the Spanish, Brazilian, Mexican and Colombian activities of S3, Santander's custody and asset servicing business.

Crédit Agricole S.A. and Santander would hold 69.5 percent and 30.5 percent of CACEIS, respectively. The Latin American operations of S3 would be jointly controlled by CACEIS and Santander.

According to Crédit Agricole S.A. and Santander, this enhanced growth potential, combined with expected commercial and industrial collaboration, should result in long-term value increase for all stakeholders.

Jean-Francois Abadie, current CEO of CACEIS, is expected to become CEO of the new entity and Carlos Rodriguez de Robles, current general manager for S3, is expected to lead the Spanish and Latin American activities.

The completion of the transaction will be subject to customary closing conditions, including regulatory approvals and is expected to take place by the end of 2019.

Ana Botín, executive chairman of Santander, said: "S3 and CACEIS are highly complementary businesses, and by working together we can create a custody and asset servicing platform that leverages our collective scale and global presence, and offers clients a comprehensive service that can support their ambitions and help them to prosper."

Philippe Brassac, CEO of Crédit Agricole S.A., commented: "We are very proud to envisage this long-term collaboration with Santander in order to create a major player in custody and asset servicing with further growth prospects for the group."

CACEIS's CEO Jean-François Abadie, said: "CACEIS and S3 are highly complementary from a geographic, client and service offering perspective. With very similar cultural and industrial approaches, our two organisations, once united, would deliver significant value for all our stakeholders."

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Horizon chooses BNY Mellon for custody services

Horizon Healthcare Services has selected BNY Mellon to be its sole provider of global custody services, accounting and reporting, benefit disbursements, performance measurement and analytics.

BNY Mellon's New York and Pittsburgh offices will jointly support Horizon.

Horizon is a not-for-profit health services corporation, providing medical, dental, vision and prescription insurance products and services. Frank Melaccio, vice president and treasurer at Horizon, said: "Besides being a proven leader in global asset servicing, BNY Mellon was selected due to its focus on client service and its continued investment in asset servicing technology."

Emily Portney, head of asset servicing for the Americas at BNY Mellon, commented: "We are thrilled to have been selected by Horizon. Their selection validates our continued commitment to innovative technology, investment in our client relationships, and our global custody offering."

ONC launches new custody service

Onchain Custodian (ONC) has launched a personalised custody service for market participants and accredited investors to secure digital assets with institutional grade security and controls.

Accuity will use ONC for know-your-customer and anti-money laundering compliance, and Polymath, will utilise ONC as one of its custodian service providers.

Tembusu Partners, Pre Angel, JLAB, JD Capital, Fission Capital, Frees Fund, Timestamp Capital, Milestone, among seven others, are due to start the on-boarding process with ONC in the coming weeks.

The SAFE digital asset custody platform was launched on 11 April during the Asia Pacific Blockchain New Finance Summit in Singapore.

Alexandre Kech, CEO of ONC, said: "Best practices around digital asset custody are critical to the future of this industry."

He added: "We are committed to work with customers but also associations like the Distributed Regtech Collaboration Platform, the Malaysia Blockchain Association or the Digital Exchange Association to build the global standard for digital asset custody."

ALFI welcomes CBDF final outcome

The Association of the Luxembourg Fund Industry (ALFI) has welcomed the final outcomes of the interinstitutional negotiations on the European Commission's 2016 proposal on cross-border distribution of investment funds (CBDF).

The association noted that they welcome the final outcomes of the negotiation as a trade-off between the objectives of removing barriers to cross-border distribution of investment funds and the adequate protection of investors.

This follows the European Parliament's adoption of the final text, on 16 April, of the Directive amending the UCITS and Alternative Investment Fund Managers and the EU

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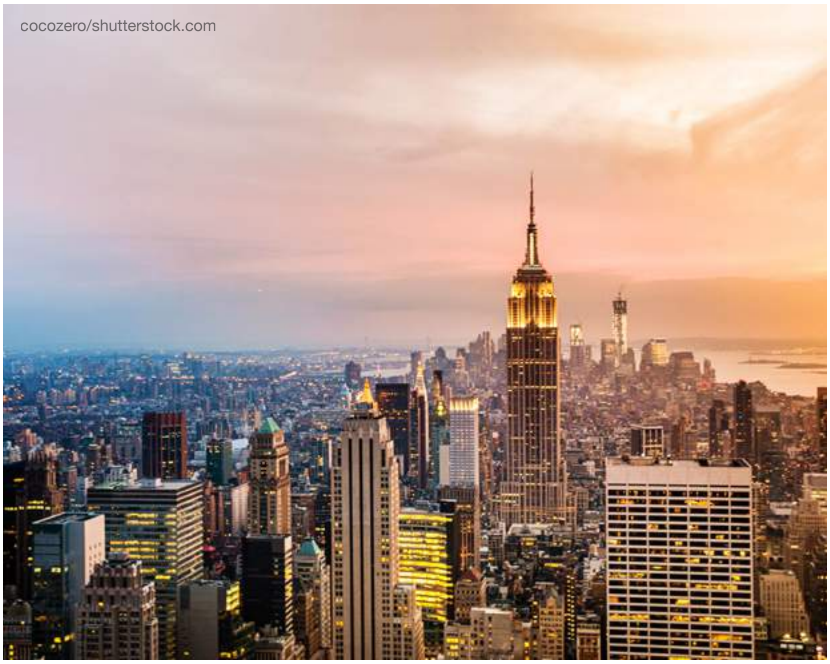


Broadridge buys custody and trust assets of TD Ameritrade

Broadridge is to acquire the retirement plan custody and trust assets of TD Ameritrade Trust Company, a subsidiary of TD Ameritrade Holding Company.

The acquisition will expand Broadridge's suite of solutions for the retirement plan services market and the support it provides for third-party administrators, financial advisors, record-keepers, banks, and brokers.

The acquisition of TD Ameritrade's retirement plan custody and trust assets is part of Broadridge's expansion of its Matrix Financial Solutions (Matrix), a mutual fund and exchange-traded fund trade processing platform for the retirement industry. The acquisition is expected to be completed in Q2 2019, subject to regulatory approval.

TD Ameritrade Institutional, a division of TD Ameritrade, which provides custody and brokerage services, will continue offering the TD Ameritrade Retirement Plan, a solution for advisors that combines record-keeping and administration.

Michael Liberatore, head of mutual fund and retirement solutions, said: "The TD Ameritrade trust and custody assets are a strong complement to Broadridge's established mutual fund and retirement business, and uniquely positions us as one of the largest neutral, independent service providers of custodial and sub-custodial solutions. The acquisition represents the next step forward in Broadridge's strategy of serving a broader set of retirement stakeholders and unlocking new opportunities for our clients."

Tom Nally, president of TD Ameritrade Institutional, commented: "After careful consideration, we decided to exit a part of our retirement plan trust business, one that's better served by a scale player dedicated to expanding and investing in this business."

"Broadridge is a leader in this space with the proven technology and experience to provide advisors with access to innovative solutions and high-level client service."

Regulation amending European Venture Capital Funds. It also amends European Social Entrepreneurship Funds Regulations as a result of the interinstitutional negotiations on CBDF.

ALFI explained that they support the introduction of harmonised pre-marketing for Alternative Investment Funds (AIFs) across the EU.

The association also supports the harmonisation of de-notification procedures applicable to UCITS and AIFs

ALFI supports the removal of the requirement for a local presence or representative.

According to ALFI, harmonisation in this respect is a very positive and balanced outcome that ensures that investors will receive the information they need while significant costs are avoided.

Additionally, the Association also welcomes the extension of the review period for UCITS Key Investor Information Document (KIID) and Packaged Retail Investment and Insurance-Based Products KID.

ALFI commented: "ALFI welcomes the introduction of such a provision by the European Parliament in the course of the legislative process as it removes uncertainty and an obligation that would have been redundant for both the market and investors. All institutions and supervisory authorities involved have nevertheless been called upon to act as fast as possible to facilitate the termination of the transitional exemption."

INTL FCStone launches prime brokerage division

INTL FCStone has launched a prime brokerage division, which offers custody, self-clearing, multi-asset prime brokerage, execution and outsourced trading. It also introduces clearing services for hedge funds, mutual funds, and family offices.

The prime brokerage division will offer a flexible platform to more effectively execute

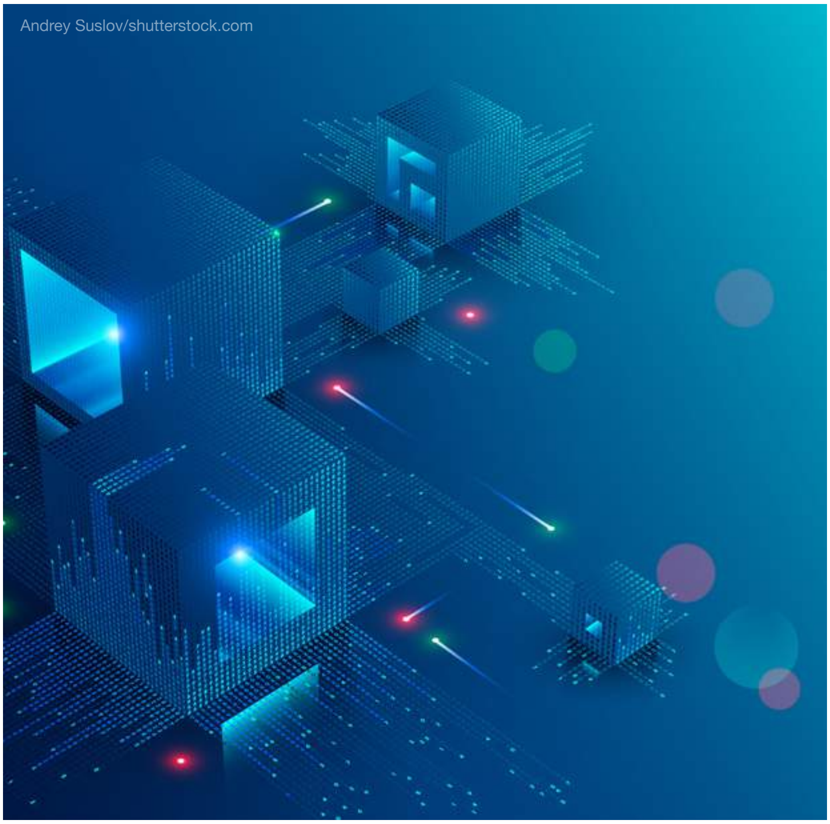
trades, custody, and clearing for the US and global equities, options, futures, foreign exchange (FX), and fixed income through INTL FCStone.

Based in Atlanta, the prime brokerage team within INTL FCStone will be led by Douglas Nelson, managing director and co-head, prime brokerage, Michael DeJarnette, managing director and co-head, and Nicholas DeJarnette, managing director and co-head.

Nelson commented: "INTL FCStone has long been a leader in clearing and trade execution, and we are pleased to offer firms an accompanying multi-asset prime brokerage option."

"Our model couples sophisticated technology with direct clearing capabilities, combined with introduced clearing options, to enable clients to evolve without having to establish separate prime relationships."

"These new services will allow firms operating on legacy systems to benefit from our cutting-edge technology and streamlined cloud-based solutions, providing better service, flexibility, efficiency, and simplicity."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Northern Trust sees advancements in blockchain technology

Northern Trust has made a "breakthrough" in securities servicing by deploying legal clauses as smart contracts on blockchain.

The application will be able to transfer legal clauses as smart contracts from a digital legal agreement onto Northern Trust's private equity blockchain.

The software was developed by Avvoka, originally for Emerald Technology Ventures, to allow users to negotiate, review and digitally sign legal agreements.

This is the latest enhancement to Northern Trust's blockchain solution, which was originally launched in 2017 for private equity fund administration, following updates to embedded codes in legal agreements.

Pete Cherecwich, president of corporate and institutional services at Northern Trust, commented: "As financial markets move towards digital processes, Northern Trust will continue to drive the technology innovation that will redefine our industry."

"The collaboration and innovation that led to this further breakthrough in blockchain technology is a testament to all parties involved. The ability to leverage digital documents that include smart contract codes across multiple platforms is a very significant step towards the future digital environment of securities servicing."

Emerald Technology Ventures's partner and CFO, Hans Dellenbach, added: "We see digital contract collaboration platforms growing in use and are excited that Northern Trust have developed this advanced technology capable of delivering smart contracts directly to its Guernsey-based private equity blockchain."

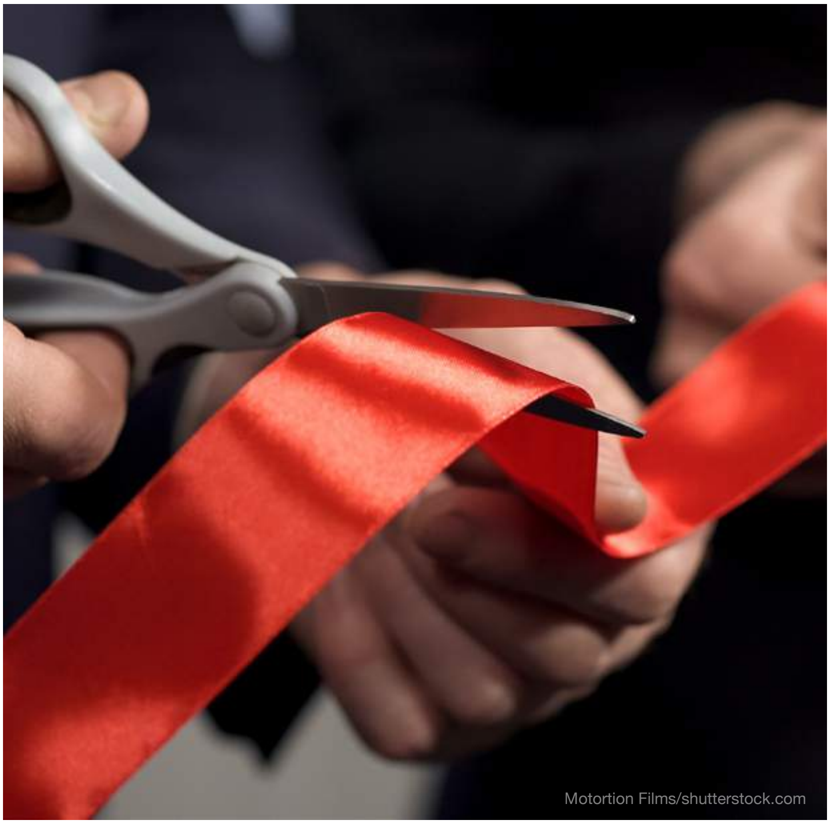
Financial Risk Solutions enters Australian market

Financial Risk Solutions's (FRS), Invest|Pro, has entered into the Australian investment administration software market, following an acquisition by Constellation Software.

FRS's Invest|Pro system is to be delivered in a cloud deployment on Microsoft Azure locally in Australia.

The system provides unit pricing, fund administration, automated cash allocation, rebalancing and trade order management and oversight.

Matthew Baldwin, managing director of Asia for FRS, said: "Unit pricing and fund admin projects can be complex. FRS is proud of its proven track record of delivering its Invest|Pro software within the agreed timeframe and at the agreed budgeted cost."



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Citi and ISS launch high frequency connection to Proxymity

Citi, in collaboration with Institutional Shareholder Services (ISS), has launched a high frequency connection to Proxymity SM, a digital proxy voting platform, developed through Citi's D10XSM programme.

Users of ISS' research and voting platform, ProxyExchange, can now leverage the Proxymity platform's technology and algorithm for instant meeting notifications and extended voting deadlines, which can provide up to nine additional days for decision making.

ProxyExchange users will also receive timely post-meeting vote confirmations.

These features can aid investors in their compliance with regulatory initiatives such as the EU's Shareholder Rights Directive II and the focus on encouraging transparency in financial markets and empowerment for investors.

Dean Little, co-founder of the Proxymity platform at Citi, said: "The integration and use of Proxymity services with ProxyExchange is further testament to the vast potential of the platform. This collaboration shows how Proxymity can effectively be used without any change to the systems and workflows that ISS clients already know, like and trust."

"This is a significant win for all users."

Lorraine Kelly, head of governance solutions at ISS, said: "ISS is committed to assisting our clients through all stages of the voting process and through the delivery of cutting-edge technology and is pleased to work with Proxymity in furtherance of this objective."

He added: "This move into the Australian market is incredibly exciting for everyone at FRS and culminates a period of growth, both in terms of geographical expansion but also assets under management on the Invest|Pro system."

big xyt platform introduces TCA to its analytics platform

Big xyt has introduced transaction cost analysis (TCA) to its analytics platform.

The big xyt analytics solutions combine analytics engines with interactive dashboards to provide a consolidated, normalised view of major regulated markets, multilateral trading facilities and system internalisers.

The solutions include dashboard and application programming interface solutions which allow clients to add their own proprietary data layer, including their trade history.

Clients are able to interrogate the information utilising an automated ad-hoc reporting facility or integrating this into their own internal applications for analysis such as broker review, sales, workflow optimisation as well as compliance and best execution.

The data and detailed analysis provided by big xyt allows exchanges, brokers, industry bodies, analysts and media to prove and compare execution quality, liquidity, spreads and costs.

Robin Mess, CEO of big xyt, said: "Working with our clients has enabled us to evolve our offering to include TCA. The normalised data we provide enables them to analyse the data allowing them to see the full picture and make fully informed comparisons. We are delighted to see them quickly benefitting from our unique analytics approach and the flexibility of the output."

Mark Montgomery, head of strategy and business development, commented: "We are effectively delivering data analytics as a service applied to TCA, enabling firms to ask themselves whether they are applying the right benchmarks and right trading strategies."

DTCC strives to combat trade failures

DTCC has addressed the problem of trade failures within the post-trade marketplace in a newly published white paper.

DTCC identified the potentially positive role technology could play in helping to combat issues caused by increased regulatory requirements, costs and cybersecurity.

In particular, 'The Roadmap to Automation' highlighted the contribution of standing settlement instructions (SSIs) to the increase in trade failures, owing to the handling of trade data by various discordant systems.

In order to ensure the automation of SSIs, DTCC emphasised the need for "structural transformation" within capital markets.

Furthermore, full automation is predicted to help combat institutional security issues surrounding online communications.

DTCC estimated that approximately 50 percent of institutional participants still send important SSI information manually rather than via a secure platform, which contributes to inefficiency.

It was also highlighted that DTCC's ALERT platform already has over 3,600 participants using its compliant messaging to begin the automation process for SSIs.

DTCC's managing director and head of institutional trade processing, Matthew Stauffer, commented: "Settlement process are now attracting more attention as regulators require shorter and more certain settlement with the potential of penalties for noncompliance."

"Removing manual touch points in the settlement process will have a tremendously positive impact in efficiency and security."

Euroclear Sweden expands exchange-traded product offering

Euroclear Sweden has added additional Nordic currencies to its exchange-traded products in an effort to expand its services.

As of June 2019, Euroclear Sweden's clients will be able to use the straight-through processing (STP) solution, Plug & Clear for settlement and payment for exchange-traded products in Danish krone, in addition to Swedish krona and euro.

The service also enables STP for affiliation, issuance and de-registration of standardised exchange-traded products.

According to Euroclear Sweden, it is seeing a trend of increased customer demand to issue securities in several currencies to reach investors throughout the Nordic markets.

The Plug & Clear solution will be available for client testing in April.

GC Partners launches unified FX and custody offering

Global Currency Exchange Network and Global Custodial Services (GCS), have unification under a single brand, GC Partners.

GC Partners offers institutional and corporate clients bespoke foreign exchange (FX), hedging, mass payments, client money and investment services.

In addition to unifying under one brand, GC Partners has also changed the structure of the business, making every employee a partner through an employee ownership trust (EOT).

According to GC Partners, every employee will benefit from a share of the business to ensure the continued high level of service to all clients.

Martin Cox, CEO and founder of GC Partners, commented: "The breadth of our offering comes at a time where institution's budgets are under increasing pressure—smaller and mid-size asset managers need reliable, bespoke and cost-effective services that give a competitive edge."

"We are established, agile and regulated, and offer a solution that can bypass the complexity of the mainstream banks to drive the best results for our clients."

Cox added: "Our dedicated team deserves the recognition and reward from their hard work and with the EOT initiative we have created a sense of real ownership and reward for every employee within the company."

Bursa Malaysia will transition to T+2

The T+2 settlement cycle will be launched on The Bursa Malaysia Exchange on 29 April 2019.

The move to T+2 settlement will see investor's trades cleared and settled two days after the trade day.

The shorter settlement cycle will align the clearing and settlement processes of the Malaysian capital market with those of other global exchanges in the US, Europe and the Asia Pacific, which are already operating a T+2 settlement cycle.

The migration from a T+3 to T+2 settlement cycle is part of Bursa Malaysia's ongoing efforts to improve operational efficiency and reduce systemic risk.

The launch date was determined following consultation with the industry and relevant stakeholders.

The Securities Commission Malaysia approved changes to the relevant rules on 26 March 2019 to facilitate Bursa Malaysia's move to a T+2 settlement cycle.

Market participants have also completed a series of systems testing to ensure a smooth transition prior to the launch.

According to Bursa Malaysia, this testing gives the exchange the opportunity to educate and inform investors about the settlement cycle and how to effectively use it to enhance their investment and trading of stocks on Bursa Malaysia.

Gazprombank and DIXY launch settlements via NSD platform

Gazprombank and DIXY Group have chosen the National Settlement Depository's Transit 2.0 to conduct mutual settlements.

Transit 2.0 exchanges financial messages between corporations and banks, which unifies and standardizes participants' interactions.

Alexander Nam, managing director for technology services at NSD, said: "We are happy that Gazprombank began using the Transit 2.0 platform on a full scale. This fact confirms the maturity of the Transit 2.0 project and lets us scale it by expanding the pool of the ecosystem's participants."

Vladimir Busko, first vice president of Gazprombank, commented: "Gazprombank has a unique base for multichannel communications with clients. It lets us be open towards any high-technology solution."

Yulia Zhuvaga, CFO, DIXY Group, said: "We, as a major corporation with well-developed payment structures and settlement accounts opened with several banks, are happy to exchange documents with all transaction participants using the unified system as part of one transaction."

LRI Group and Augeo join forces

LRI Group and Augeo Capital Management, subsidiaries of Apex, have become one single brand, LRI Group.

Augeo, formerly Warburg Invest Luxembourg, is to change its name to LRI Capital Management as part of a move by Apex to unite the two management companies under one common brand.

According to LRI Group, consolidating the Augeo and LRI business under one single brand demonstrates its intention to deliver a united future for the ManCos with a common ownership structure.

The management board for the newly combined LRI Group will include Frank Alexander de Boer, Thomas Grünewald and Utz Schüller who will oversee the management of more than 200 employees in Luxembourg.

Frank Alexander de Boer, managing director of LRI Group, said: "Bringing together these two successful businesses under one brand, LRI Group, will further strengthen our combined market position as a leading provider of third party management services."

Utz Schüller, managing director, LRI Group, said: "Through joining these two entities together under one brand we are placed in an excellent position, able to offer clients flexible solutions through an open architecture business model, combining extensive understanding of client requirements and structuring solutions with established working relationships with a broad range of specialist service providers."

Chawton picks Northern Trust for brokerage and custody services

Chawton Global Investors, a newly-launched global equity fund manager, has chosen Northern Trust to provide its brokerage and global custody services.

Chawton Global Investors will have access to Northern Trust's Integrated Trading Solutions capability, offered through Institutional Brokerage, which delivers a range of services from trade execution to matching and settlement.

Integrated Trading Solutions and Institutional Brokerage, part of Northern Trust Capital Markets provide foreign exchange, securities lending and transition management services.

Founded by Michael Crawford, Chawton Global Investors provides long-term returns, with an emphasis on cash flow generation and dividend growth.

Crawford commented: "We selected Northern Trust to support this investment approach and meet our brokerage and dealing requirements primarily because of its innovative technology platform, demonstrable expertise and trusted approach in this area, plus significant global reach."

Guy Gibson, global head of Institutional Brokerage at Northern Trust, said: "Northern Trust's outsourced Integrated Trading Solutions is an ideal fit for companies such as Chawton Global Investors. By outsourcing the entire trade lifecycle, investment managers like our client can drive cost efficiencies, facilitate regulatory compliance, reduce risk and remain competitive in today's challenging post-the second Markets in Financial Instrument Directive environment, helping future-proof their strategy for tomorrow."

Volante expands VolPay-as-a-Service for payments

Volante Technologies has expanded VolPay-as-a-Service, its cloud-based ecosystem of business services, to combine corporate to bank connectivity, corporate on-boarding and end-to-end processing of all US domestic and cross-border payment types.

The service simplifies the handling of corporate enterprise resource planning and acknowledgement formats and automates the process of connecting corporate customers to their institutional payment service providers through an application programming interface library.

The service handles all US payment types including Fedwire, automated clearing house (ACH)/same day, ACH, Zelle, and The Clearing House real-time payments clearing and settlement, as well as SWIFT cross-border payments.

Vijay Oddiraju, CEO of Volante Technologies, said: "At Volante, we are committed to providing the most advanced payments solutions to our customers so that they can stay ahead of emerging trends, and make the most of the growing opportunity in payments."

He added: "With the increasing popularity of software-as-a-service models in financial services, this is an ideal time for US institutions to take a close look at their payments infrastructures, and explore managed-service models to generate superior business outcomes."

Got a story we should cover?
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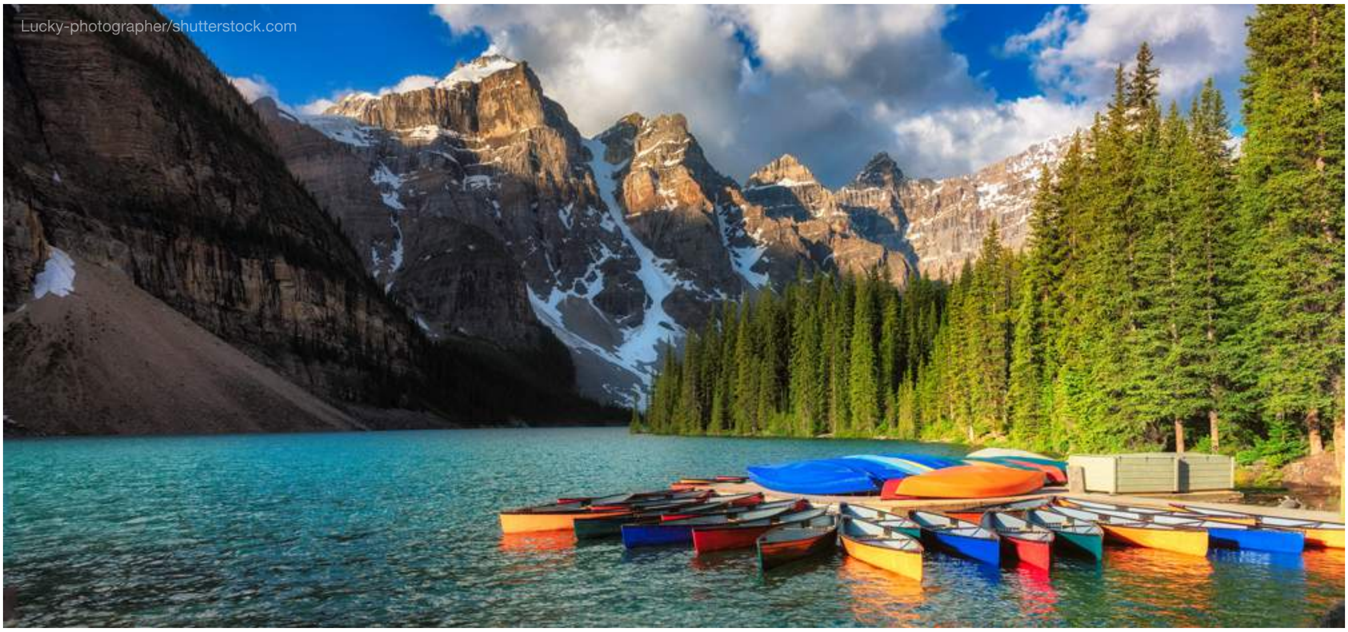


A reliable source

Canada is a nation known for its natural beauty and landscape. Financially speaking, the country remains a stronghold for investors, with technology remaining a top priority for firms

Jenna Lomax reports

Canada is acknowledged as one of the best sovereign nations in which to do business, whether that is for investors or stock brokers, Canada's banking system is one of the soundest and strongest in the world.

The individual governments of Canadian provinces: British Columbia, Ontario, Saskatchewan, New Brunswick and Prince Edward Island who once operated as mostly separate entities, have more recently undertaken initiatives with the Canadian government to enforce capital markets rules and regulations nationally, rather than provincially and territorially.

In addition, this April, the newly created Cooperative Capital Markets Regulatory System, a single securities regulator, announced the inclusion of Nova Scotia as a regulatory market participant.

This means Nova Scotia will join the provinces of British Columbia, New Brunswick, Ontario, Prince Edward Island, Saskatchewan and Yukon as well as Canada's federal government as a participant in the system. Although these kind of efforts are being made to bring entities together, different provinces still bring their individual challenges to the table.

Arti Sharma, head of Canada at Northern Trust, states: "While largely harmonised, the absence of a national securities regulatory system can provide challenges [to Canadian securities businesses]; including the ability to provide a simpler process for asset management business, resulting in lower costs for investors and faster policy responses to new and emerging market trends."

Pensions and payments

What Canada might lag in central regulation and standardisation, it certainly makes up for in its pension plans.

As David Linds, managing director, head of Canadian asset servicing at RBC Investor & Treasury Services (RBC I&TS), says: "Canadian pension plans continue to be amongst the best run and innovative plans in the world. As we look to the future, we expect they will continue to allocate more alternative investments in their portfolios."

Eric Bernstein, president of asset management solutions at Broadridge, indicates: "The Canadian pensions are very strong and strengthening versus other jurisdictions in their ability to fund their constituents long into the future. This is the result of strong planning, governance and discipline to adhere to plans."

Shane Kuros, chief business development and product officer at CIBC Mellon, mirrors: "Canadian pension plans have driven success with a clear and long-horizon focus on portfolio growth, with large investments in real assets, infrastructure, private debt and other alternatives, supported by highly sophisticated, experienced and dedicated internal teams."

But it's not just pension plans that remain strong. Payments Canada recently selected SIA as the application provider for Canada's new payments system, Lynx, subject to negotiation of the final agreement and final regulatory approval.

Introducing Lynx is a part of Payments Canada's multi-year payments modernisation initiative aimed at transforming the country's payments system.

The new system will replace Canada's current large-value payments system and will be based on the global ISO 20022 messaging standard.

Priorities

In a recent survey, conducted by SimCorp, some 80 percent of North American buy-side heads of operations cited increasing accessibility and accuracy of data to support the front, middle and back office as their approach and priority for this year. More than 60 percent of North American heads of operations said they aim to pursue system consolidation through a front-to-back office solution offered as a platform or a service, rather than a similar front to back offering from a custodian (29 percent).

Kuros's predictions mirror the findings in this survey, as he surmises that in the future "we will see an interesting blend of strong focus on cost containment, plus the demand for additional spend on technology and technology integration as well as cybersecurity".

In addition, he adds the importance of optimisation and internal operations as well as data aggregation within Canadian financial services.

He says: "Clients will continue to focus on data and identifying opportunities to more easily and rapidly leverage it to drive and support decision-making. The ongoing march of optimisation will continue to push market participants to carefully consider their internal operations and how to enhance them, as well as whether they might be suitable targets for outsourcing."

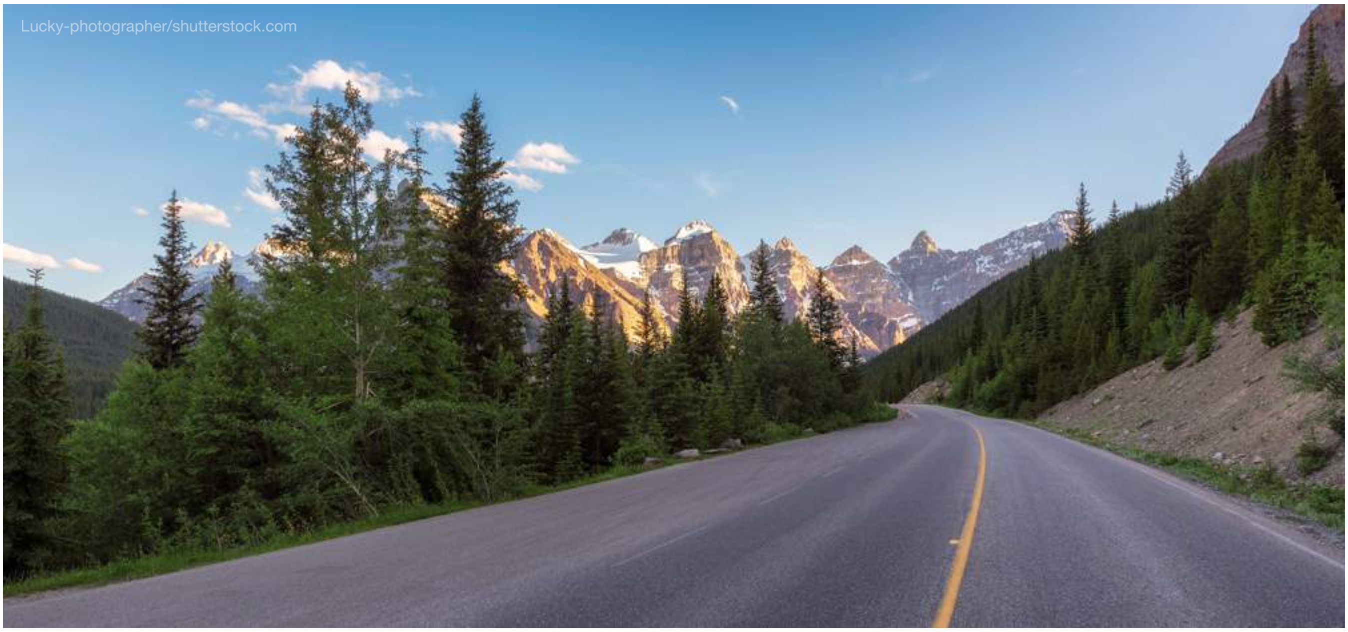
"Arguably one of the biggest challenges is that asset managers, data providers and service providers have no common language. This will become increasingly prevalent as data sources emerge and become more complex. Our clients will find that they depend even more on the quality of their data aggregation and integration."

Regulation

The international financial world has had its fair share of regulation to deal with in the last couple of years, but what has affected Canada, specifically?

Sharma highlights the critical focus of the General Data Protection Regulation (GDPR) and enhanced protection of personal information, particularly in connection with cross-border transfers.

She says: "While GDPR is European Union legislation, the privacy principles of GDPR are being adopted by local privacy regulators and global firms in Canada and elsewhere."



Kuros stipulates: "For many asset managers, asset owners and asset servicing providers, the two most challenging aspects of Canadian regulation are the intersection between global and local regulations, and the complexity of the regulatory regime itself."

"In terms of global-local translation, we see a crucial role for asset servicing providers in seeking opportunities to help global participants navigate the Canadian market and resolve occasionally competing global and domestic regulatory expectations."

A technology hub

While the Canadian market competes globally and complies with regulation, its mostly valuable tool is arguably technology and its global developments and advancement in recent years.

Bernstein says: "There is a tremendous amount of talent on both the services and technology front, which has yielded a superior operating model between asset managers and servicers."

And as Kuros highlights asset servicing, specifically, is about driving efficiency and has been for many years.

He says: "Automation, machine learning, artificial intelligence (AI)– these are the next frontiers as we work to streamline processes, reduce risks related to manual processing, and enable scale and growth for our stakeholders."

As Sharma explains: "Canadian asset servicing providers are increasingly adopting the model where local staff is predominantly client-facing while technology and operations leverage global operating centres of excellence to optimise the cost for their clients."

She adds: "We expect to see growing use of AI in financial services, but it's encouraging to see Canada taking a measured approach to AI implementation, focusing attention on the ethical questions behind the technological possibilities."

"We believe blockchain has the potential to settle trades faster, in turn reducing capital and liquidity requirements, while increasing transparency and security in the settlement process."

Predictions

Kuros surmises that the future of Canadian asset servicing holds "an interesting blend of strong focus on cost containment, plus the demand for additional spend on technology and technology integration as well as cybersecurity. Clients will continue to focus on data and identifying opportunities to more easily and rapidly leverage it to drive and support decision-making."

Sharma suggests technology will remain at the top of the list [as priorities], playing an ever more important role on how global custodians deliver their solutions to clients.

She notes: "Investors will continue to demand greater transparency, not only on their investments but also in the process a global custodian would take to reduce operational risk and minimise errors. At the same time, the human capital landscape will continue to change. It will be increasingly important for asset servicing firms to embrace diversity in hiring."

Linds adds: "The explosion of data is driving much of the change and highlights how we must strive to remain trusted advisors to our clients. With more asset managers seeking access to data, and help make sense of it." **AST**

Moving forward as planned

Bill Stone of SS&C Technologies discusses the company's recent acquisition of Eze Software and new projects in the pipeline

Jenna Lomax reports

SS&C completed an acquisition of Eze Software in October 2018. What were your motivations behind the acquisition and how has it benefited your clients?

We really like Eze's business, primarily in the trading and front-office operation areas of asset management, hedge funds and other traders, such as securities and other instruments. It's a great company, they have $280 million to $300 million in revenue.

We are working with their employees, around 1100 really good people and we have a number of offices—15 offices across five countries. It's a great business and Jeff Shoreman, the CEO is doing a really great job for us.

Has there been any tweaks or changes to the acquisition of Eze since October?

We are moving forward as we planned. We have a great relationship with Eze, prior to acquiring them. We had already linked Eze's suite into our Geneva platform and now we're coupling that integration tighter. We have a number of teams working together from SS&C and from Eze. We think the fruits of labours are really being well received by our customers.

SS&C expects $30 million of run-rate costs savings to be achieved by 2021. Why are run-rate cost savings so important right now?

We spent $1.45 billion to buy Eze and we borrowed that money to buy them. That $30 million gives us the ability to pay back that debt and it sharpens how their business runs.

And as we know, when you become a division, and you're not a standalone company like Eze was before, you don't have two CEOs, CFOs or two board of directors, there's a lot of expense saving that you get in a natural way.

What trends are you seeing in the fund administration space? What are the big talking points right now?

Volatility has come back into the market and generally, hedge funds do better with volatility because they tend to be a little more nimble—they get to be on both sides of the market, either long or short.

We've seen some rebound. The markets had a pretty tough Q4, but they've rebounded well in Q1. There are an awful lot of smart people in the hedge fund industry. There are a lot of alternative credit funds that are becoming quite popular, whether that's in distress credit or opportunistic credit that hedge fund managers are able to structure deals around that have been pretty possible for investors and themselves.

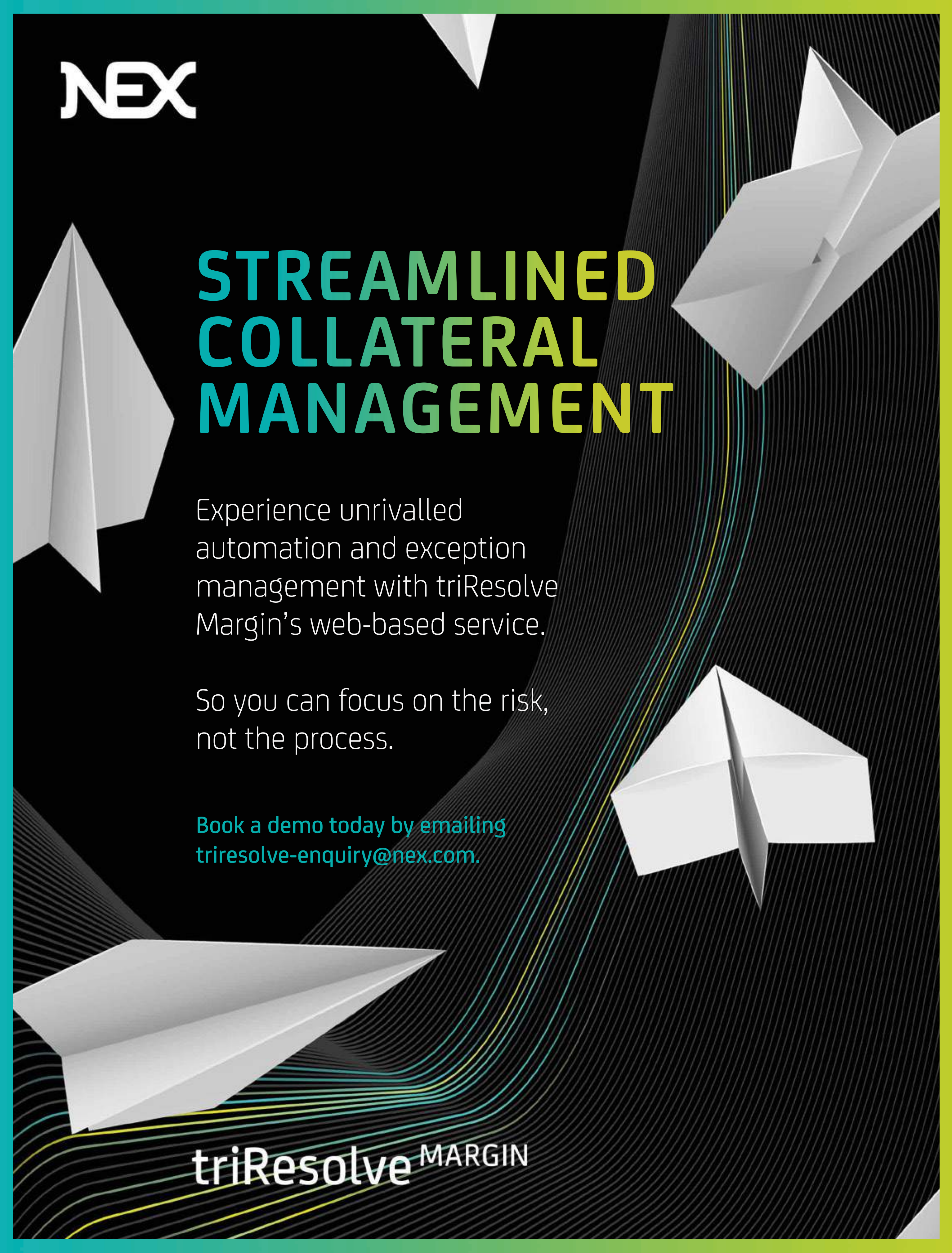
What regulations will challenge SS&C and its clients this year and beyond?

The world is full or regulators and we're conscious of the General Data Protection Regulation, in the EU and everything coming out from the Financial Conduct Authority in the UK, as well as the Securities and Exchange Commission in the US. There's always information that in the past we've followed, such as the European Market Infrastructure Regulation. We react as quickly as we can and we're on a number of task forces, looking at the leverage in the different financial markets and banking industry. We're close to all the regulators and how they formulate these regulations and we try to stay on top of all of it. We have a lot of smart people that work in that area.

Are there any new projects in the pipeline at SS&C?

We're rolling out a new product at Eze called Eclipse. Eclipse is a cloud-based trading platform that we're really excited about. We have nearly 60 clients that have already signed up with us and we're hoping to accelerate that over the next several quarters. We have invested tremendous amounts of money in that product. We have another platform launching called Singularity that we're bringing out as well, which is a full investing accounting and reporting system that we're looking forward to launching.

Bill Stone
CEO
SS&C Technologies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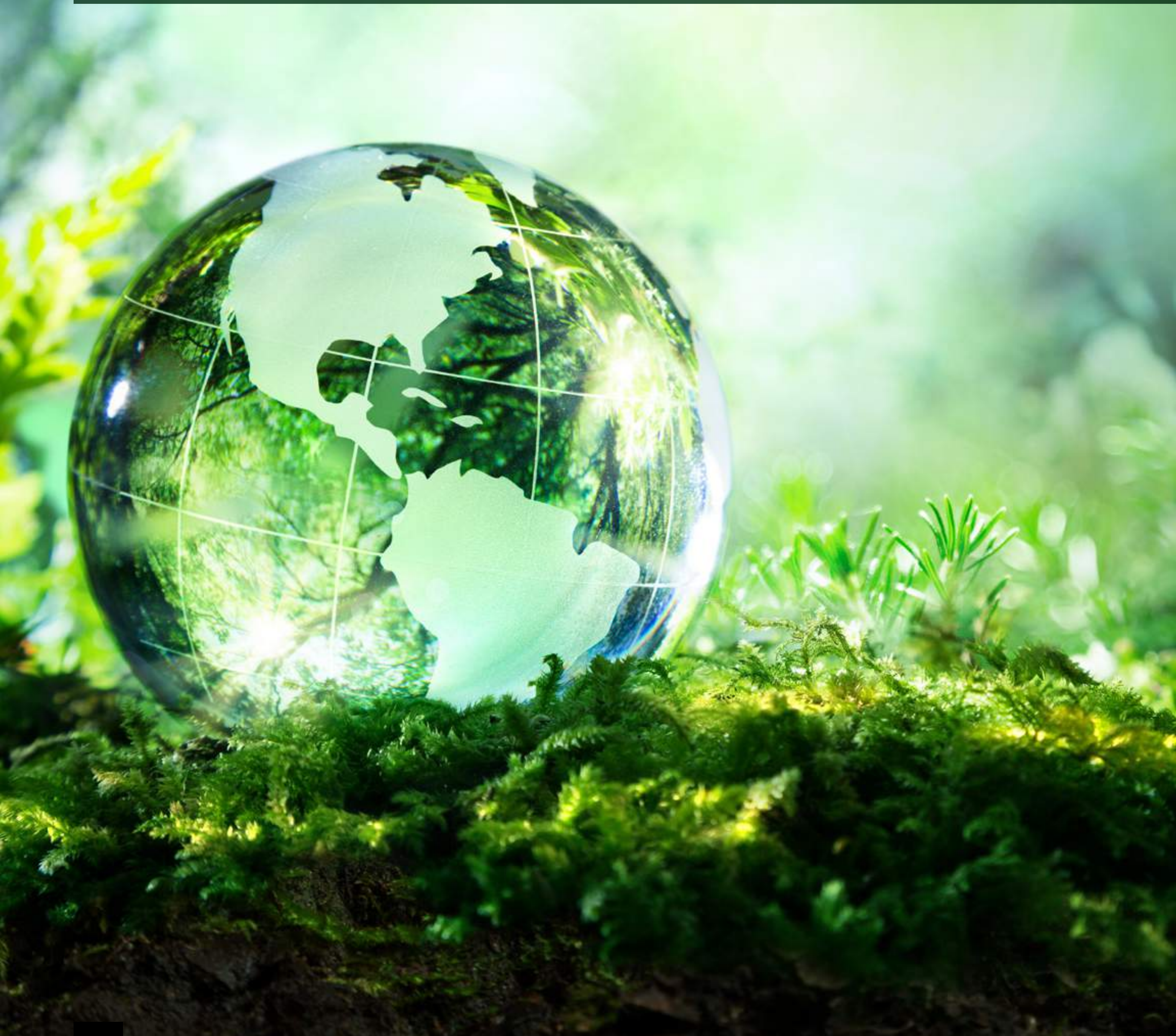
ESG: The time is now

In recent years, there has been an increase in ESG initiatives as well as a growing understanding that such initiatives are a necessary and responsible reaction for a planet in crisis



Jenna Lomax reports

Environmental, social and governance (ESG) have been buzzwords in the financial world for some years now. But what does ESG actually mean? The meaning can be quite broad and define anything from meeting carbon benchmarks to employee welfare.

As Will Mayne, senior director of global insights at Broadridge Financial Solutions, indicates, the scope of meaning can be quite a minefield for some countries, regions and sectors to understand and navigate.

He says: "The reality is that both investors and the asset management industry are trying to figure out exactly what their objectives for responsible investment actually are, and they are very diverse! Avoid risk, avoid a regulatory breach, outperform, improve society, reduce carbon footprint, don't get sued–to name but a few. The challenge for an asset manager is trying to develop a credible and globally consistent strategy on responsible investing that spans these varied objectives from investors in different regions."

As Valéry Thery, group product manager for ESG Solutions at CACEIS highlights: "Responsible investing was a very niche sector, with investors looking to avoid supporting the oil, arms, tobacco and other undesirable industries. This idea has however expanded significantly and far from a fad, has become a norm or in some cases, a requirement."

Arguably, a matter of most prominence right now is the 'E' aspect of the initiatives–the environmental and what the financial industry can actually do about it.

Underpinned by the concern shown by David Attenborough in the Netflix series 'Our Planet', the growing awareness of plastic pollution in our oceans, the rise in global forest fires and water shortages, environmental matters are starting to climb up the ladder of many financial firm's priorities.

As Jeff Greaney, head of product management–investment analytics at Northern Trust, cites: "Northern Trust has been working with leading pension funds and foundations in this area for many years, but over the past 18 to 24 months we've really seen the focus on responsible investing and ESG specific risks turning mainstream."

He adds: "If I look back five years, there were a handful of clients really focused on this area but now it is much more common."

But it's not just pension funds and foundations leading the change.

At the time of writing, climate change protestors, known as Extinction Rebellion, have brought Waterloo Bridge in London to a standstill to raise awareness of climate change, headed mostly by the younger generation—a generation growing up with an understanding of environmental concepts and concerns going forward. This is the same generation beginning to invest assets.

As Frances Barney, head of global risk solutions at BNY Mellon asset servicing, explains: "Numerous studies have shown that millennials are significantly more interested than older generations in responsible investing."

She adds: "As they age, millennials are increasing their share of global investable assets, in part through intra-generational transfer. This growing demand is encouraging the provision of more information for individual investors to participate in the discussions around socially responsible investing."

And as Greaney voices: "Investor demographics are changing. As time passes the millennial generation will continue to have a greater voice in a society which, I think, will lead to even greater focus on transparency and social awareness in the industry."

In the last few years, the tide has turned and the growing concern for the planet is beginning to infiltrate into the asset management world, changing attitudes and outlooks, quite radically.

Marc Briol, CEO of Pictet, states: "[Investing in ESG] comes from a sense of conviction. Companies that may not yet be doing it are maybe only looking for pure monetary benefit. ESG-related benefits will naturalise over the longer-term for the next generation."

And as Marie-Laure Schaufelberger, group stewardship officer at Pictet, affirms: "There's a shared notion that we need to go toward a better system, and toward a financial system that fosters a better planet and better conditions for people. That will be conducive to more stability, you need stability for a stable economy and a healthy planet."

If you attended this years' Association of the Luxembourg Fund Industry Asset Management conference in Luxembourg earlier this year, you would have seen Gabrielle Walker's presentation on the frightening effects of climate change and the effects climate change could have on the financial industry, in particular.

Walker indicated that if the Earth's temperature rises just four degrees, assets of around $4.2 trillion in present value terms could be lost. She said: "This is not a game of compliance or ticking boxes, the urgency is real." However, Walker highlighted the "fiduciary story is changing, people are starting to put climate change as one of their top priorities".

Walker also asserted 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. 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."

Similarly, a recent study by BNP Paribas Securities Services indicated that 52 percent of ESG investments have seen "improved long-term returns" since 2017. The study also found that over 65 percent of asset managers and owners reported they had aligned their investment strategies alongside the United Nations sustainable development goals by creating revenue targets for investee companies.

The stronger commitment to ESG investment since 2017 is reflected further by statistics that show asset managers and owners have increased 25 percent or more of their investments in funds incorporating ESGs by 9 percent and 27 percent, respectively.

Pensions

At this year's TSAM London: the Summit for Asset Management, a member of the World's Pensions Council discussed the emergence of ESG initiatives within pension funds.

The speaker discussed the rapid level at which ESG initiatives are arising within pension funds and asset owner's agendas.

He said: "ESG initiatives used to be an after-thought or impact mandate, but they are now becoming essential to the future of finance."

ESG and impact investing were also popular topics at this year's Linedata conference in London.

The panellists were asked whether companies would be able to invest if they did not comply with ESG, to which one panellist replied: "Our clients are large institutional clients, such as pension funds and we certainly have seen an increased demand for products that are ESG compliant."

One speaker affirmed: "Momentum is growing and we are seeing very positive outcomes for companies who embark upon the ESG route. If you don't embark upon this route other companies will and you will be excluded."

Initiatives

Barney indicates that one of the biggest challenges for ESG investment is the ability for investors and asset managers to analyse their investments against sustainability factors.

She says: "[BNY Mellon] is engaged with a number of organisations in order to help our clients. We have recently launched a new reporting service that enables clients to track their portfolio investments based on ESG factors and United Nations global compact principles."

Greaney states: "[Northern Trust is] a participant in the Carbon Disclosure Project, a signatory to the United Nations Principles for Responsible Investing and have 30 years of experience in socially responsible investing, with $88 billion in ESG assets under management as of 31 March 2019. Our 2017 report describes our strategic focus on diversity and inclusion, community engagement and environmental sustainability."

Mayne cites: "At Broadridge, we've recognised our important role in analysing and translating this very varied global demand from investors on behalf of our asset manager clients who are struggling to create the right investment products and services. Our insights and consulting services help asset managers define their ESG strategy because it is our firm belief that this is not a capability that can be sidelined or created overnight. Credibility demands the right investment, and that needs to begin by understanding client demand." **AST**

Comings and goings at BNY Mellon, Northern Trust and more

BNY Mellon has appointed Kevin Tomlin as head of relationship management for Europe, the Middle East and Africa (EMEA) trust and depositary.

Tomlin will be responsible for the management of BNY Mellon's EMEA trust and depositary client relationships.

Based in London, Tomlin will report to Keith Whitelock, head of EMEA trust and depositary.

With more than 30 years of managerial, commercial and regulatory experience in the funds sector, Tomlin joins BNY Mellon from BNP Paribas, where he was a senior product manager working across the securities services business.

Prior to BNP Paribas, Tomlin was director of relationships at NatWest Trustee and Depositary Services.

He has also held management roles at the Financial Services Authority and the Securities and Investments Board.

Tomlin is the latest senior hire BNY Mellon has made for its EMEA trust and depositary business this year.

Linda McMahon joined BNY Mellon as head of UK trust and depositary from State Street in February, and Christoph Stähler joined as head of trust and depositary Germany at the beginning of April.

Commenting on Tomlin's appointment, Daron Pearce, CEO of BNY Mellon EMEA asset servicing, said: "Kevin Tomlin will play an important role in delivering world-class services to our clients across the EMEA region. His broad and deep knowledge and track record make him ideal for this role."

Northern Trust has appointed Conlon Chen as head of operations for its global fund services business in Asia.

Reporting to Caroline Higgins, head of global funds services, Asia, Chen will be responsible for Northern Trust's middle-office outsourcing solutions and fund administration business across the region.

Prior to joining Northern Trust, Chen served as head of operations at Maples Fund Services and has previously held various senior fund administration roles at Standard Chartered Bank, State Street Bank and RBC Investor and Treasury Services.

Commenting on Chen's appointment, Higgins said: "We are delighted Conlon Chen has joined our team as head of global fund services operations for Asia."

"Northern Trust's business in Asia is growing rapidly and we are seeing an increased demand for tailored fund administration and middle-office outsourcing solutions."

She added: "The extensive experience that Chen brings to the team will enable us to continue providing exceptional support to our clients and meeting their unique requirements in the region."

State Street Corporation has appointed Francisco Aristeguieta as CEO of its international business, effective from July 2019.

Reporting to State Street president and CEO, Ron O'Hanley, Aristeguieta will also become a member of the company's management committee.

Based in Hong Kong, Aristeguieta will be responsible for all of State Street's business activities outside of the US including driving strategy, stewarding client engagement, developing talent, pursuing growth opportunities and increasing market share.

Aristeguieta will work in partnership with State Street's global business leaders to deliver solutions and insights to clients globally.

He joins State Street from Citigroup where he most recently served as CEO of its Asia business.

Prior to that, he served as head of Citigroup's business in Latin America and before that led its transaction services group in Latin America where he was responsible for securities servicing, trade and cash management.

O'Hanley said: "We are delighted to welcome Francisco to State Street. His deep experience and proven leadership qualities will advance our strategy and growth objectives on behalf of our clients and shareholders, and augment our already strong local management teams outside of the US."

Aristeguieta commented: "I am excited to be joining State Street, a leader in its industry and a company that I admire. I believe there are tremendous opportunities ahead given State Street's scale and global footprint, and the innovation and talent it is bringing to the industry." **AST**

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