asset servicing times

The primary source of global asset servicing news and analysis

ISSUE 232 22 January 2020

Momentum in Malta

The island's alternative fund space is one to watch in 2020

ALFI Insight

Corinne Lamesch discusses regulatory updates and 2020 opportunities

Transfer Agency

How are transfer agents keeping up with changes to regulation and technology?

BNY Mellon introduces new suite of services

BNY Mellon has introduced a new suite of oversight and contingent net asset value (NAV) calculation solutions to expand its existing fund accounting capabilities for clients. The new services are designed to drive greater transparency, efficiency and risk management for asset managers and asset owners.

The three key features of BNY Mellon's new NAV offerings, which are platform and provider agnostic, are 'NAV Review', 'Oversight with Expected NAV', and 'Back-up & Contingent NAV'.

NAV Review deals with independent NAV oversight and reporting for funds administered across multiple providers, BNY Mellon explained.

Oversight with Expected NAV relates to the independently calculated per-share value of a fund that is intended to assist with the execution of control and oversight responsibilities. Meanwhile, Back-Up & Contingent NAV revolves around transparency and oversight into independently calculated NAV in the event the primary account platform or provider is unavailable.

According to BNY Mellon, clients will benefit from enhanced controls and more efficient NAV reviews, while ensuring contingent NAV production across all asset classes in a single-provider or multiple-provider operating model.

James Slater, global head of business solutions at BNY Mellon, commented: "As we see an increased demand for NAV oversight and backup NAV, we are pleased to provide our clients with these new solutions through our collaboration with Milestone."

Slater added: "This is yet another example of our leadership role in solving industry challenges and commitment to delivering expanded capabilities. We remain focused on advancing our capabilities and seeking opportunities to partner with industry leaders such as Milestone to enrich and broaden the solutions available to our clients."

Geoff Hodge, executive chairman of Milestone Group, said: "We are delighted to partner with BNY Mellon to deliver enhanced oversight and contingent NAV capabilities to the investment management industry."

Hodge added: "These topics have attracted increasing attention by regulators and fund boards globally, and unlike current market offerings, these solutions have been designed to encompass all of the characteristics needed to meet best practice in terms of independence and resilience during a major or multi-day outage, particularly for larger players."

BNY Mellon highlighted that these expanded BNY Mellon capabilities leverage its recent alliance with institutional investment solutions provider Milestone Group and its digital investment platform pControl.

im_photo/shutterstock.com

CIAM selects SteelEye's services

Compliance technology and data analytics firm SteelEye has been selected by CIAM, an investment management firm to provide trade surveillance, best execution and record keeping. SteelEye will replace CIAM's existing setup to future proof their regulatory requirements and adopt a more proactive approach to compliance.

Unifying a range of their compliance requirements on one platform enables CIAM to adopt a more holistic approach to compliance, according to SteelEye.

Additionally, SteelEye noted that CIAM will be able to future proof themselves for regulatory change by having all of their regulatory trading data in one place.

Emmanuel Drujon, COO and risk manager of CIAM, commented: "We were looking for an independent vendor that would enable us to proactively manage our regulatory obligations."

"We also wanted a solution that would allow us to respond to regulatory change quicker. SteelEye was the perfect fit," Drujon added.

Fnality International joins Enterprise Ethereum Alliance

Fnality International has become a member of Enterprise Ethereum Alliance (EEA), the defacto standards organisation for enterprise blockchain. As an EEA member, Fnality International will be able to collaborate with industry leaders in pursuit of Ethereum-based enterprise technology best practices, open standards, and open-source reference architectures.Meanwhile, the Fnality Payment System will be an essential enabler for the development of new tokenised assets and the marketplace that will accompany them, Fnality noted.

Adam Clarke, CTO of Fnality, commented: "Fnality is all about enabling settlement in tomorrow's financial market infrastructure. Settlement requires all the parties involved to collaborate and cooperate; the EEA's role is an essential part of that process and we are excited to work with the EEA and the other members to maximise the value of the new technology across the community."

The EEA membership base represents hundreds of companies from every region of the world across a wide variety of business sectors, including technology, banking, legal, government, healthcare, energy, pharmaceuticals, marketing, and insurance. Fnality is the commercial realisation of a four-year research and development project that delivers a "payment system to support peer-to-peer markets and tokenisation".

Fnality was set up by a consortium of financial institutions, including Banco Santander, BNY Mellon, and Barclays. Mizuho Bank was the most recent to join Fnality's group of 14 founding shareholders.

images by esb_professional/shutterstock.com

FIS acquires large stake in Virtus Partners

FIS has officially closed the acquisition of a majority interest in Virtus Partners, which is set to enable FIS to connect the full lending value chain across the buy and sell sides.

The acquisition is set to round out its asset class coverage and enhance its expertise in the credit market.

Andrew Bateman, senior vice president, capital market solutions, buy-side at FIS, commented: "Virtus is a rapidly growing, leading provider of high-value managed services and technology solutions focused on the credit and loan markets."

"The addition of its credit and loan market offerings helps expand our capital markets portfolio and enables us to connect the full lending value chain across the buy and sell sides."

In terms of why FIS chose to acquire Virtus Partners, Bateman said: "We are always looking to enhance the services that we can offer to our customers. In the capital market space, we have grown to have a very strong position not in just technology but increasingly in additional services to our customers."

"If you add in the Virtus portfolio, it is going to bring new solutions, services and talent. It is going to enhance our existing offerings for our customers and will further strengthen our unique position to enable investors traders, insurers, risk managers around the world to effectively move, manage and grow money in securities."

Discussing the main benefits of the acquisition, Bateman explained that Virtus is bringing a high-value business process as a service and front-to-back technology.

"This fits in nicely with our strategic growth of having a technology-driven business process service offering," Bateman said.

According to Bateman, the credit market is one of the fastest-growing spaces, he cited: "We have a strong presence already as far as our customer base in private equity, hedge funds and asset managers who are investing in this market. It does enable us to go a little bit further than that because it also fills in some of the critical gaps that we have in our portfolio and it enables us to connect the full lending value chain across both the buy and sell side."

"This is because, where we have investors investing in this credit space, we are also providing solutions that enable our customers to originate loans."

"This nicely brings together both the buy and sell side and enhances our expertise in the credit space," Batemen stated.

For FIS' 2020 pipeline, Bateman noted that FIS is continuing to build upon the successes that it's had of getting its solutions across the broad capital market space and building on those solutions to offer greater services.

Bateman continued: "This is either through technology and innovation where we are modernising our platforms and leveraging emerging technologies on our platform and providing more of those platforms as SaaS type solutions leveraging the public cloud in certain markets as well."

Gen II Fund Services opens new client service centre

Gen II Fund Services has opened a new client service centre located in Dallas, Texas, marking its fifth US location to service its private equity fund sponsor clients. According to Gen II Fund Services, the new centre is a core component of its strategic efforts to expand its physical presence in the US.

Norman Leben, managing principal and co-founder of Gen II, commented: "Adding a service centre and team in Dallas enhances our ability to provide the highest level of service for private equity fund sponsors operating in the US, particularly throughout Texas and the southwest."

Steven Millner, co-founder and managing principal of Gen II, added: "Steady, measured growth, in concert with the market's demand for our services, and enabling our clients' ability to scale as they grow are core to our mission at Gen II. Our new Dallas office will help us to meet those objectives. We look forward to attracting additional talented individuals to further grow our Dallas-based team."

Stafford Capital Partners makes depositary services selection

Stafford Capital Partners has selected the independent fund and corporate services provider Aztec Group for depositary services. Stafford Capital Partners is an international real assets and private markets investment and advisory group that serves institutional investors across the globe including the UK, continental Europe, the US, and Australia. The new partnership will see Aztec Group act as a depositary to 13 investment vehicles and over $1.9 billion in assets.

Stafford Capital Partners explained that this will provide a comprehensive monitoring solution to meet Stafford Capital Partners' regulatory requirements under the Alternative Investment Fund Managers Directive.

Vince Cao, CFO, Stafford Capital Partners, said: "Aztec Group has forged an excellent partnership with our in-house team, and we have confidence in their efficient and effective depositary solution fitting seamlessly into our fund operations."

Commenting on the Aztec Group's appointment, David Griffin, head of depositary, UK, Aztec Group, said: "Our appointment reflects our standing in the market as a depositary and is a further endorsement of our industry-leading service model, which combines a dedicated team with market-leading systems and ISAE-accredited processes. We look forward to building a positive relationship with the Stafford Capital team."

SimCorp expands community of North America pension plans

SimCorp has expanded its community of North America pension plans with the addition of pension fund Pennsylvania Public School Employees' Retirement System to help form the foundation of its middle and back-office operations.

PSERS has selected SimCorp's cloud-based solution, SimCorp Dimension as-a-service, to deliver multi-asset class investment management support and transparency.

According to PSERS, it has witnessed steady growth over the years and has set a clear ambition for future growth.

The selection of SimCorp Dimension's investment book of record (IBOR) sees the pension fund benefit from "enhanced automation and consolidation" of data from multiple disparate sources into one accurate real-time data source.

Once implemented, the IBOR will provide PSERS with a single system for its middle and back-office operational needs, including deeper analytics and optimised investment decision-making, SimCorp explained.

Additionally, SimCorp provides its alternatives solution, Alternative Investments Manager, combining alternative assets, such as private equity, real estate and infrastructure, into one single platform.

Meanwhile, its integration to the accounting book of record (ABOR) provides full transparency of underlying holdings, across middle and back-office processing, SimCorp noted.

John Kemp, PSERS managing director of investment operations and risk, commented: "SimCorp Dimension will allow PSERS to join other large state pension systems and state treasury departments in implementing an integrated IBOR to improve operations."

"PSERS' operations professionals have been called upon to support a growing number of portfolios, trades, positions, and complex investment strategies as our investment programme has evolved, and this trend is expected to continue into the future."

James Corrigan, executive vice president and managing director of SimCorp North America, added: "We are very happy to welcome Pennsylvania Public School Employees' Retirement System to the fast-growing community of North American pension plans choosing SimCorp Dimension, as the foundation for multi-asset class investment operations."

Standard Chartered enhances cross-border payment experience

Standard Chartered has launched SC GPI Track, a publicly accessible portal that offers the ability to trace all cross-border payments cleared through the bank's major clearing centres to its clients, as well as its corporate and retail clients. As part of the launch, Standard Chartered clients and their counterparties can now obtain the status of any payments the bank has processed in real-time.

According to the bank, clients can do this by entering SWIFT's unique end-to-end transaction reference (UETR) associated with the cross-border payment on the public portal. SWIFT is a network provider that enables financial institutions worldwide to send and receive information about financial transactions, and SWIFT gpi is the new standard in global payments.

Alain Raes, chief business development officer at SWIFT, explained that for far too long, the industry wanted to believe that a slow, opaque and costly cross-border payment was a technology problem. Raes noted that with SWIFT gpi, the global financial system has demonstrated that transparent and traceable cross-border payments are a reality today.

Meanwhile, Lisa Robins, global head of transactions banking at Standard Chartered, said: "Corporations and financial institutions around the world rely on the confirmation of payments to facilitate the movement of goods and services in order to support the healthy growth of supply chains."

She added: "The SC GPI Track further demonstrates our commitment to deliver innovative solutions, and provide a better and more efficient banking experience for our clients."

A Canadian Asset Servicing Leader

With more than 1,300 professionals exclusively focused on servicing Canadian investors and global investors into Canada, CIBC Mellon can deliver on-the-ground execution, expertise and insights to help clients navigate the Canadian market. Leveraging the technology and scale of BNY Mellon, a global leader in investment servicing, and the local presence of CIBC, one of Canada's leading financial institutions, CIBC Mellon has the experience and the capabilities to help you succeed in Canada.

Canadian custody and sub-custody

Canadian correspondent banking[1]

Broker-dealer clearing
Securities lending[2]

Brokerage[1]

Investment fund services

MIS (Connect Workbench, STP scorecard, trade match report card)

Data analytics[2]

[1] Provided by CIBC
[2] Provided by BNY Mellon

Learn more, contact:
Shane Kuros at +1 905 755 7121
www.cibcmellon.com

CIBC MELLON

Can you keep up?

Feature

Rebecca Delaney reports

How are changes to regulation and technology affecting the role transfer agents are expected to play by asset managers?

The role of the transfer agent (TA) has been significantly impacted by the changing regulatory and technological environments of the industry over the last decade. This has mainly evolved in the form of a transition from solely processing information to the provision of value-add services, such as global and local distribution strategies, and tax regulatory compliance. With these changes, TAs have had to adapt to the changing requirements of asset managers.

Rachel Turner, head of asset management solutions for Europe, Middle East and Africa, and Asia Pacific at BNY Mellon, notes that needs of asset managers when appointing a TA now include the ability to "reach customers directly, using digital interfaces to offer differentiated experiences and develop long-term relationships".

Turner adds that "the consequent move away from using fund distribution platforms means they increasingly rely on transfer agents to ensure user-friendly, timely and responsive interaction".

Similarly, Andy Schmidt, vice president of global banking at CGI, identifies that asset managers are also asserting the need for TAs to be able to reduce fees, increase transparency and provide a "digital experience" that both incorporates legacy technology and ensures TA platforms are "natively digitally enabled, not added on as an afterthought".

The deliverance of efficient access to data in real time depends on a greater transition to digitalisation, according to Antonio Barros, group product manager at CACEIS, including application programming interfaces (APIs), and internal systems development through cloud net technologies such as blockchain and distributed ledger technology (DLT).

Barros explains: "Digital is the industry's main buzzword at the moment, with investors seeking a fully digital interaction at every stage. For example, the asset manager uses the TA's systems to sell

images by jiayu_fan/shutterstock.com

funds via a distributor, which in turn uses the TA's internal systems to handle anti-money laundering (AML) and know your client (KYC) needs, as well as order processing and receipts. "

"TAs have to offer this digital experience. Those offering such a complete digital experience are greatly favoured by distributors."

However, Barros reassures that "fintech is not destroying the TA industry" despite some instances of fearmongering; rather, fintech companies that are not yet marketplace intermediaries are collaborating with TAs and other asset servicing industry players as solution vendors.

The mitigated threat posed by fintech companies is further alleviated by the fact that many TAs already have a high straight-through processing (STP) rate, the majority of which are above 80 percent. Ironically, these high rates are somewhat attributed to fintech such as chatbots and robotic process automation (RPA).

Within this field of artificial intelligence, Turner believes it offers "promising ways to reduce the need for human intervention for basic relationship management—processing queries, interpreting problems, automating responses and investment choice navigation".

"In addition, data analytics will play an increasingly important role within transfer agencies, with data mining and analysis leading to better client servicing and more focused client targeting and marketing."

Schmidt also notes the growing emphasis on improving front-office asset management capabilities through emerging technologies, but simultaneously stresses the importance of enhancing back-office efficiency, costs, and risks in order to "directly benefit the investors through lower management expenses and improved customer service".

Turner affirms that improving operations through greater automation and standardisation will positively affect the overall end-user experience of a TA.

This includes a reduction in human errors and costs, according to Barros, who also notes that these changes are being implemented "at a decent pace, not too hastily, which risks disrupting the industry and potentially implementing a sub-optimal solution, nor too slow, which means innovation is being stifled".

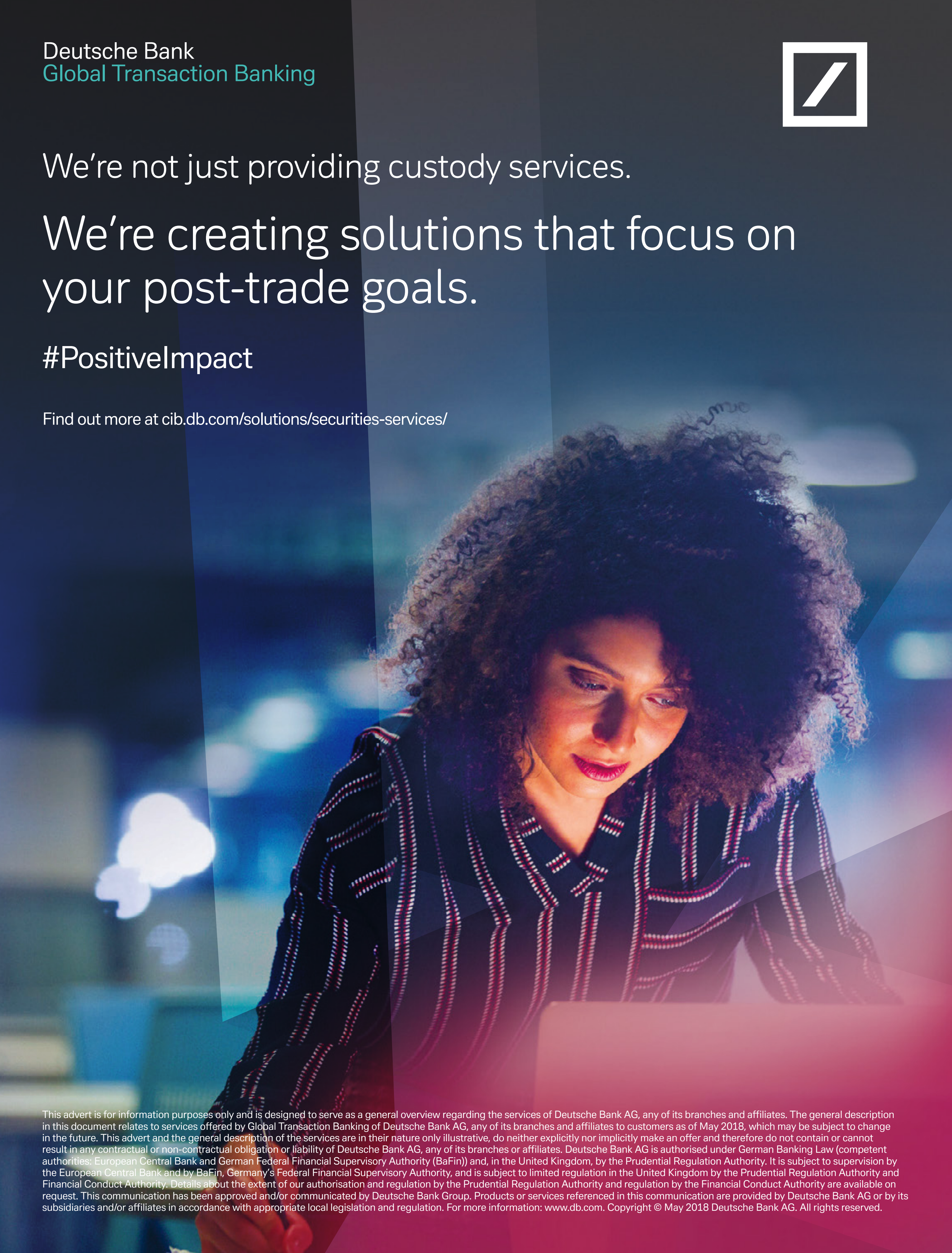
It is also vitally important for TAs to balance the ever-changing regulatory environment, or as Barros describes it, the "administrative burden of AML, KYC and Foreign Account Tax Compliance Act regulations".

Examples of recent regulatory changes in the last few years include the Investor Money Regulations, which implemented the six principles of segregation, designation, reconciliation, daily calculation, risk management, and investor money examination in an attempt to improve investor protection.

Other regulatory bodies, such as the Securities Exchange Commission (SEC) have been concerned with recordkeeping, record retention practices, and safeguarding of funds and securities under TAs. SEC-endorsed regulations include statements of income, financial condition, cash flow, and potential conflicts of interest at registration, and a formalised recognition of TA services in a written agreement, including a description of the services provided, and the terms of payment and fees.

Schmidt recommends companies having their own dedicated teams to solely focus on regulatory compliance. Turner highlights that such teams must balance the ability to "support all distribution channels and investor types, handle multiple fund ranges across different domiciles, as well as new fund types and asset classes, and can deal with regulatory change, technological evolution and changing investor preferences".

In addition, Schmidt recognises that these teams have common themes of interest in investor data protection, fee transparency, and tax jurisdiction monitoring. He notes that this is particularly vital in the face of a "looming technology disruption in an open banking era", where companies can survive by investing in innovation while still maintaining an operational focus.


Deutsche Bank
Global Transaction Banking
We're not just providing custody services.
We're creating solutions that focus on your post-trade goals.
#PositiveImpact
Find out more at cib.db.com/solutions/securities-services/
This advert is for information purposes only and is designed to serve as a general overview regarding the services of Deutsche Bank AG, any of its branches and affiliates. The general description in this document relates to services offered by Global Transaction Banking of Deutsche Bank AG, any of its branches and affiliates to customers as of May 2018, which may be subject to change in the future. This advert and the general description of the services are in their nature only illustrative, do neither explicitly nor implicitly make an offer and therefore do not contain or cannot result in any contractual or non-contractual obligation or liability of Deutsche Bank AG, any of its branches or affiliates. Deutsche Bank AG is authorised under German Banking Law (competent authorities: European Central Bank and German Federal Financial Supervisory Authority (BaFin)) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available on request. This communication has been approved and/or communicated by Deutsche Bank Group. Products or services referenced in this communication are provided by Deutsche Bank AG or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation. For more information: www.db.com. Copyright © May 2018 Deutsche Bank AG. All rights reserved.

Working in sync

Interview

Maddie Saghir reports

ALFI's Corinne Lamesch discusses post-Brexit, a review of the UCITS framework and opportunities for the Luxembourg fund industry in 2020

How is Luxembourg faring in the current geopolitical climate?

If you look at the geopolitical climate, there are challenges which we need to take into account for the future. In terms of opportunities, the areas where we see the potential for future growth are sustainable finance and investment in alternatives.

What would be the best outcome post-Brexit for Luxembourg?

The best outcome would be to exit in an orderly manner with an agreement where we would have an adequate framework for the relationship between the UK and the EU.

For us, it is important that Luxembourg continues to have a good relationship with the UK, which should be designed in a manner that provides certainty surrounding economic factors, and for citizens as well.

We should definitely be able to build upon our mutual trust in order to deal with any disruption. We have a longstanding partnership with the UK and, after the US, it is the second-largest group of asset managers who are setting up funds in Luxembourg: some 18.3 percent of Luxembourg fund assets are managed by UK-based managers. They will remain active in Luxembourg across all asset classes. Consequently, we must maintain a good relationship with the UK.

Do you believe Luxembourg will benefit from the UK's departure from the EU?

A big part of our industry is managed by UK managers, therefore the relationship between Luxembourg and the UK is important. Some UK managers have been looking to move their funds to Luxembourg so we have seen an increase in assets from UK managers – from 17 percent to, as previously mentioned, 18.3 percent.

On the whole, around 60 institutions across various sectors in the financial industry, including insurance and asset management, have chosen Luxembourg for their new EU market clients. This means that some have set up or increased their presence in Luxembourg for their international cross-border activities as the UK will lose its EU passport and hence cannot be the hub to enter the EU anymore. It is important that the UK remains a part of the ecosystem. We are looking at what we can do to maintain a good future relationship. Overall, Luxembourg's industry is quite well prepared for Brexit whether it is a hard Brexit or not.

Most of the larger asset managers affected by Brexit are prepared as best they can. We have also seen a number of local players who have registered their funds in the UK make use of the temporary permissions regime that has been set up.

"It is important that the UK remains a part of the ecosystem. We are looking at what we can do to maintain a good future relationship. Overall, Luxembourg's industry is quite well prepared for Brexit whether it is a hard Brexit or not"

As a country, we didn't aggressively poach UK business – we haven't seen any promotional aggressive campaigns because, as highlighted, we have a very strong partnership, and Luxembourg felt that this was not the way to deal with partners on the other side of the channel.

What regulations are causing the biggest challenge for the fund industry in Luxembourg?

There is a programme of new regulation that is expected to be implemented over the next few years (such as sustainable finance, Alternative Investment Fund Managers Directive and UCITS reviews), which will be quite a lot of work over the next few years to come. Sustainable finance is an area of focus and also a big opportunity for assets to grow. We definitely see that there is a demand from investors to invest in companies that want to help the environment.

In fact, sustainable finance is something that is receiving a push from policymakers and regulators as well as investors, so this is definitely an area that we will work on over the next few years.

There will be a review of the UCITS framework but we do not yet know all of the details. If the aim is to make the market more efficient and improve things we will still need to be careful to ensure that the changes are not going to be too disruptive. UCITS funds are traded around the world in over 70 countries and we need to make sure that any changes we make to the framework do not heavily impact other countries too. Everything we do must be looked at carefully; it needs to be balanced and work in sync.

Additionally, ALFI believes that we should do more for the development of new products in the asset management space so we are working towards having a good framework. In addition, we are looking at pension products which are continuing to gain importance for investors and asset managers alike.

What opportunities will 2020 bring for the Luxembourg fund industry?

There is a continuous interest from industry players to use European products – preferably Luxembourg-domiciled products – combined with an increase in assets.

However that being said, we are quite aware of the challenging environment that we are facing: ongoing trade tensions and a changing global tax environment, fee compression and compression on margin, and we have to take into account all of those macro factors when we identify the opportunities for the years to come.

We are currently putting together our strategic paper for 2025, which will take into consideration all of those macro trends and it will also identify the challenges but above all the opportunities.

Our 'toolbox' may need further improvement to make sure it is still fit for purpose, and certain adjustments on margin may be necessary in order to remain relevant for our clients.

Further opportunities lie in expanding Luxembourg's role as a leader in sustainable finance as well as a hub for alternatives.

The momentum continues

Last year saw the consolidation of Malta's fund structures and domiciliation of bigger funds to more established jurisdictions, while further growth in Malta's alternative fund space is the one to watch for 2020

Country Profile

Maddie Saghir reports

An archipelago, located in the central Mediterranean between Sicily and the North African coast, Malta boasts beautiful beaches, incredible architecture and several interesting historic sites – so it's a small wonder that it is a popular tourist attraction.

Malta is an appealing place in the asset servicing world as it continues to attract smaller fund and investment management players. It is also highly regarded by fund managers. According to industry experts, this is especially the case when compared to its peers Luxembourg and Dublin, while Cyprus was named as its main competitor.

Aside from Cyprus, market participants have also explained that there is stiff competition with local players and other jurisdiction. But such competition between the various asset servicing players has resulted in competitive pricing. While full-employment has had an inflationary effect, the competition has helped combat and counter these effects.

BOV Fund Services' manager of business development, Rebecca Xuereb, says that this, in turn, reflects Malta's value proposition as being a cost-competitive jurisdiction, which is one of the mainstays that has made Malta the domicile of choice for, predominantly, small- and medium-sized fund promoters.

images by creative_travel_projects/shutterstock.com

Malta still remains an attractive choice, and 2019 has been described by Dolfin Asset Services' CEO, Ramon Bondin, as an "interesting year" for Malta's asset servicing industry, and explains that the industry witnessed a consolidation of its fund structures and domiciliation of bigger funds to more established jurisdictions.

However, at the same time, Bondin notes that non-Malta based structures were bringing services in and out of Malta across a number of providers, from investment managers to fund administrators.

In June last year, data found that there were 553 funds domiciled in Malta and a further 191 funds administered from the island. Bondin cites that the wider financial services sector now accounts for close to 12 percent of the total gross-value add of the Maltese economy.

While last year was an interesting year for Malta, industry experts from BOV Fund Services and Dolfin Asset Services weigh in on what we can expect to see in the pipeline for Malta's asset servicing industry for 2020.

The challenges

This year not only marks the start of a new decade but also the year of Brexit. The uncertainty clouding Brexit has trickled down into many industries including asset servicing.

As BOV Fund Services' Xuereb identifies, the result of the Referendum in 2016 and the consequent uncertainties led some UK operators to adopt a 'wait-and-see' approach, with others taking more proactive precautions.

Xuereb explains that since the referendum and the subsequent possibility of a no-deal Brexit, BOV Fund Services has received many enquiries both from existing clients as well as other operators in relation to Brexit scenario planning for their operations.

"With various options available for both funds and asset management and the possibility of delegating certain functions back to the UK, even after Brexit, Malta provides an ideal solution for access to the EU market in the case of the UK leaving the EU and we have in fact already seen a number of redomiciliations and new set-ups in the wake of the Brexit decision," Xuereb adds.

Bondin stresses the importance of the relationship between Malta and the UK and says: "Malta has very strong ties with the UK as well as with UK-based investment managers."

He says that although a number of service providers already have a base in other EU jurisdictions, "Malta is definitely a key contender for companies that require access to the EU market, especially for small- to medium-sized asset managers".

Meanwhile, in line with the finance industry more broadly, regulation is another challenge facing Malta with recent years showing increasingly complex regulations entering the finance world.

Xuereb says: "There was much to ponder last year and regulatory pressures are expected to continue into 2020 with the strengthening of policies by many regulators, including updates to the Alternative Investment Fund Managers Directive (AIFMD)."

AIFMD is an EU directive that aims to monitor the regulatory activity of hedge funds, private equity and other alternative investment firms by looking to place them into a regulatory framework. Such continuous updates, Xuereb says, creates a "challenging environment" for the asset management and asset servicing industries.

With significant investment and a shift of industry players focusing on their compliance and risk management functions, Xuereb explains: "Asset servicing players such as BOV Fund Services, who offer a comprehensive range of regulatory reporting to clients, ensure to keep abreast of such updates and quickly adapt to continue to offer an efficient service to clients."

Aside from regulation, Bondin identifies that banking is the main challenge, not in Malta but across Europe.

He adds: "In Malta, this is a concern due to the size of the market and the limited number of operators on the island. In fact, we have seen a number of fund structures setting up banking relationships beyond Malta."

A double-edged sword

In the digital age, technology is somewhat of a double-edged sword providing both opportunities and challenges, and this is certainly the case in Malta's asset servicing industry.

Technology has created the opportunity to innovate and create efficient processes but all of this shiny stuff comes at a cost.

Indeed, as Xuereb highlights, with technology advancing so rapidly, industry players and service providers must ensure to stay ahead of digital transformation to remain competitive and continue to provide the best service to their clients.

In Malta, Xuereb says that with respect to innovative solutions, even at country-level, Malta has continued to adapt and introduce new and innovative solutions.

This includes the fast-track Notified AIF regime, whereby alternative investment fund managers may launch an alternative investment fund within a maximum of 10 days, and the more recent adaptation of the professional investor fund (PIF) regime to cater for Virtual Financial Assets. Xuereb notes: "Such innovation within the funds industry continues to add to Malta's attractiveness as a destination for funds and asset management."

Discussing technology at BOV Fund Services, specifically, Xuereb adds: "BOV Fund Services, Malta's leading fund services provider, continues to invest in state-of-the-art technological infrastructure to ensure that our clients continue to receive a seamless service, allowing them to focus on their core function of fund management."

2020 trends and priorities

As previously identified, 2019 was an 'interesting' year for Malta's asset servicing industry. But, aside from this, it has also been noted by one industry expert that in recent years, Malta's fund industry has seen most of its growth occurring in the alternative space through the professional investor fund regime.

Looking at whether or not this growth could continue into 2020, Bondin suggests that the alternative space, through the PIF regime, is a key product within the fund space in Malta, particularly for smaller/start-up funds.

The PIF is a product of Malta's homegrown regulation and an ideal solution for alternative fund managers falling out of the scope of the AIFMD.

Speaking to AST last year, Ivan Grech of FinanceMalta, said: "When the AIFMD was implemented, Malta did not simply replace the old with the new, but rather, while being among the first jurisdictions to implement the directive, retained an attractive space for de minimis alternative fund managers with much less onerous requirements than stipulated within the European directive."

"This rulebook coupled with a variety of other desirable other factors has established Malta as an ideal niche alternative fund domicile of choice, particularly attractive to the small- to medium-sized fund managers. Apart from the flexible and less restrictive PIF rulebook, the island boasts a number of other advantages that make it the destination of choice for a large number of fund managers."

The PIF was introduced in Malta in 2000 and boosted the internationalisation of Malta as an international fund domicile. Xuereb explains: "With Malta's eventual access to the EU in 2004 and the introduction of heavier regulation following the Global Financial Crisis of 2008, the PIF was never replaced but rather maintained alongside other regimes. This allowed Malta to remain very attractive and competitive as an EU fund domicile of choice."

"PIFs are essentially alternative investment funds not captured by the EU Alternative Investment Fund Manager's Directive and are thus subject to less onerous regulations offering further flexibilities and efficiencies. Such flexibilities and efficiencies unique to Malta are thus the reason that the jurisdiction continues to see growth in the alternative space, through the PIF regime," Xuereb explains.

Meanwhile, more recently, Bondin observes that Malta is also seeing a number of PIFs converting to AIFs, either due to their size or to avail themselves of the EU passport that the AIF regime provides.

Bondin continues: "In general, we see a bigger proportion of flows coming from the alternative space rather than the UCITS space. Malta's NAIF allows for a fund to be set up within ten days, and it is notably less expensive than Luxembourg's equivalent. The cost differences vary depending on the fund structures involved, but it often costs 30 to 40 percent less to run and administer a fund in Malta than in Luxembourg."

Looking to the rest of the horizon for 2020, the alternatives fund space is expected to be a key contributor – more so than the UCITS regulatory space. According to Bondin, the demand is expected to come mostly from existing AIF/NAIF fund platforms that use Malta as their base.

"Although the number of fund structures might be seen to decrease, demand for 'the platform model' and consolidation of structures is expected to rise," Bondin predicts.

Within the asset management space in general, Bondin expects more demand for services to other EU jurisdictions but also non-EU, predominantly Cayman structures, to be services in and out of Malta.

Xuereb says: "We expect the focus on strengthening regulation to continue throughout 2020. Particularly with discussions and developments surrounding environmental, social and governance (ESG) including the creation of a standard ESG taxonomy and ESG-specific benchmarks."

She adds: "This may, in turn, lead to further driving the growth of sustainable funds."

Within Malta, Xuereb says she expects the industry to maintain "the momentum of development" as seen over the past few years.

While technology will continue to be an opportunity and a challenge, as well as regulation, in 2020, Malta can also expect to see even further growth upon its horizon, especially in its renowned alternatives fund space.

Upcoming Events

Don't miss your copy of Asset Servicing Times

The Network Forum Africa Meeting

10-11 March 2020

Johannesburg, South Africa

Options Industry Conference

22-24 April 2020

Puerto Rico, USA

The Network Forum Annual Meeting

30 June - 02 July 2020

Berlin, Germany

The Network Forum Americas Meeting

27 October 2020

New York, USA

The Network Forum Asia Meeting

16-17 November 2020

Singapore

Trade and Transaction Reporting - Nordics

5-6 December 2020

Stockholm, Sweden

For further information visit: **www.assetservicingtimes.com/events**

images by pluie_r/shutterstock.com

The London Stock Exchange Group (LSEG) has appointed Murray Roos as group director, capital markets and a member of the executive committee, effective 1 April 2020.

Reporting to David Schwimmer, CEO of LSEG, Roos will be responsible for LSEG's global capital markets business across primary and secondary markets.

In April last year, LSEG announced that Raffaele Jerusalmi will continue as group director, capital markets until Murray joins the group.

Roos joins from Citigroup where he most recently worked as global co-head of equities and securities services.

He also previously led global equity sales and trading as well as the multi-asset structuring group.

Prior to joining Citigroup in 2015, Roos spent 10 years at Deutsche Bank holding various senior roles including head of equities for Europe, the Middle East and Africa, head of emerging markets equities and global head of prime finance.

David Schwimmer, CEO of LSEG, said: "Murray Roos brings to the Group deep experience in capital markets in both developed and emerging markets. He brings a global understanding of the capital markets lifecycle across asset classes from pre-trade through to trading execution and post-trade. We look forward to his developing the business further in partnership with our customers."

BNP Paribas Securities Services has bolstered its team with the appointments of Alessandro Gioffreda and Alvaro Camuñas, effective 1 April 2020.

Both new hires will report to Patrick Colle, general manager of BNP Paribas Securities Services.

Gioffreda, currently regional head of continental Europe for securities services, and has been appointed as head of territory management, covering all securities services regions. In his new role, Gioffreda will be responsible for BNP Paribas Securities Services' regional structure, which ensures market and client proximity.

Meanwhile, Camuñas will be global head of sales and relationship management for securities services has been appointed as head of client development, with responsibility for sales, relationship management, and client services.

The hires follow the appointment of José Placido's appointment as CEO of BNP Paribas Corporate and Institutional Banking (CIB) Americas, effective 1 June 2020.

Placido is currently global head of client development for securities services and global head of financial institutions coverage.

Asset services provider Linnovate Partners has appointed Cecilia Cheung as managing director of alternative funds services and the executive committee.

Based in Hong Kong, Cheung will be responsible for all aspects of service delivery and client engagement within the alternative fund services (AFS) group.

According to Linnovate, Cheung will leverage Linnovate's success and position in the asset servicing market and enhance service offerings and operations with an international remit.

Most recently, Cheung was the country managing director at IQ-EQ. She has also held various senior roles at Sanne Group Ogier and EY in the Financial Services Group.

In total, Cheung has over 20 years of experience in alternative assets including fund administration and advisory services.

Commenting on the appointment, Henry Lin, CEO of Linnovate, said: "Appointing someone with Cecilia Cheung's calibre and experience further establishes Linnovate as the next generation asset servicing firm and provides us with an incredible depth of offshore funds experience and knowledge to further refine and develop our operations. We are very confident in Cecilia's ability to help us lead the technology revolution in alternative asset servicing."

Meanwhile, Cheung commented: "I am thrilled to be leading Linnovate's AFS team in a time of great transformation for the alternative asset industry. It's truly exciting to join a cutting-edge firm such as Linnovate which has been at the forefront of the alternative assets servicing market, and setting the agenda for the industry."

Steve Cirami has joined Broadridge Financial Solutions as vice president, head of global class actions and corporate actions.

In his new role, Cirami will lead the team's work with class actions filings, class actions and corporate actions notifications, and corporate actions elections.

Additionally, Cirami will work with the team to deliver operational and product excellence to the nearly 600 institutional clients Broadridge works within the class action market.

Cirami has more than 20 years of industry experience and has litigated class actions, negotiated class action settlements, and consulted for parties in drafting class action settlement agreements. He has also so set up notice and claims processes and has served as an expert witness and has been personally appointed by federal courts as both a special master and fund administrator in various class actions.

LiquidityBook has added James Pearson and Abdullah Al Nasiri to its Europe, the Middle East, and Africa (EMEA) client service team, based in London.

According to LiquidityBook, Pearson will play a key role in onboarding projects and will work closely with both internal developers and external clients.

Most recently, Pearson was head of IT at Schneider Trading Associates, where he controlled all aspects of IT for the company, setting strategy and direction for the department and managed supplier relationships.

Meanwhile, Al Nasiri will work with the client support group, assisting with FIX development and deployment to the firm's client base in his new role at LiquidityBook. Additionally, Al Nasiri will support the critical trade processes and ensure clients are able to unlock the full power of LiquidityBook platforms.

Al Nasiri joins from Fidessa, where he served as a Technical Support Analyst.

LiquidtyBook highlighted that the hires arrive at the firm at a time when an increasing number of fund managers are abandoning their legacy technology providers in favour of more agile, web-based systems.

Commenting on the hires, Sean Sullivan, chief revenue officer at LiquidityBook, said: "We are constantly looking for potential employees with core financial industry skill sets and the desire to apply those skills within the framework of a more modern technology platform. More and more, we find that such talented individuals are coming from legacy business models."

"Pearson and Al Nasiri both come to us with strong resumes of unique skills, and we look forward to them having a great impact on our ability to scale and deliver our products to match the growth of our business in EMEA," Sullivan added.

asset servicing times

W: www.assetservicingtimes.com
T: @ASTimes_

Editor: Becky Bellamy
beckybutcher@blackknightmedialtd.com
+44 (0)208 075 0927

Reporter: Maddie Saghir
maddiesaghir@blackknightmedialtd.com
+44 (0)208 075 0925

Contributor: Rebecca Delaney
rebeccadelaney@blackknightmedialtd.com
+44 (0)208 075 0926

Designer: James Hickman
jameshickman@blackknightmedialtd.com
+44 (0)208 075 0930

Publisher: Justin Lawson
justinlawson@blackknightmedialtd.com
+44 (0)208 075 0929

Associate Publisher: Joe Farrell
joefarrell@assetservicingtimes.com
+44 (0)208 075 0932

Office Manager: Chelsea Bowles
accounts@blackknightmedialtd.com

Published by Black Knight Media Ltd