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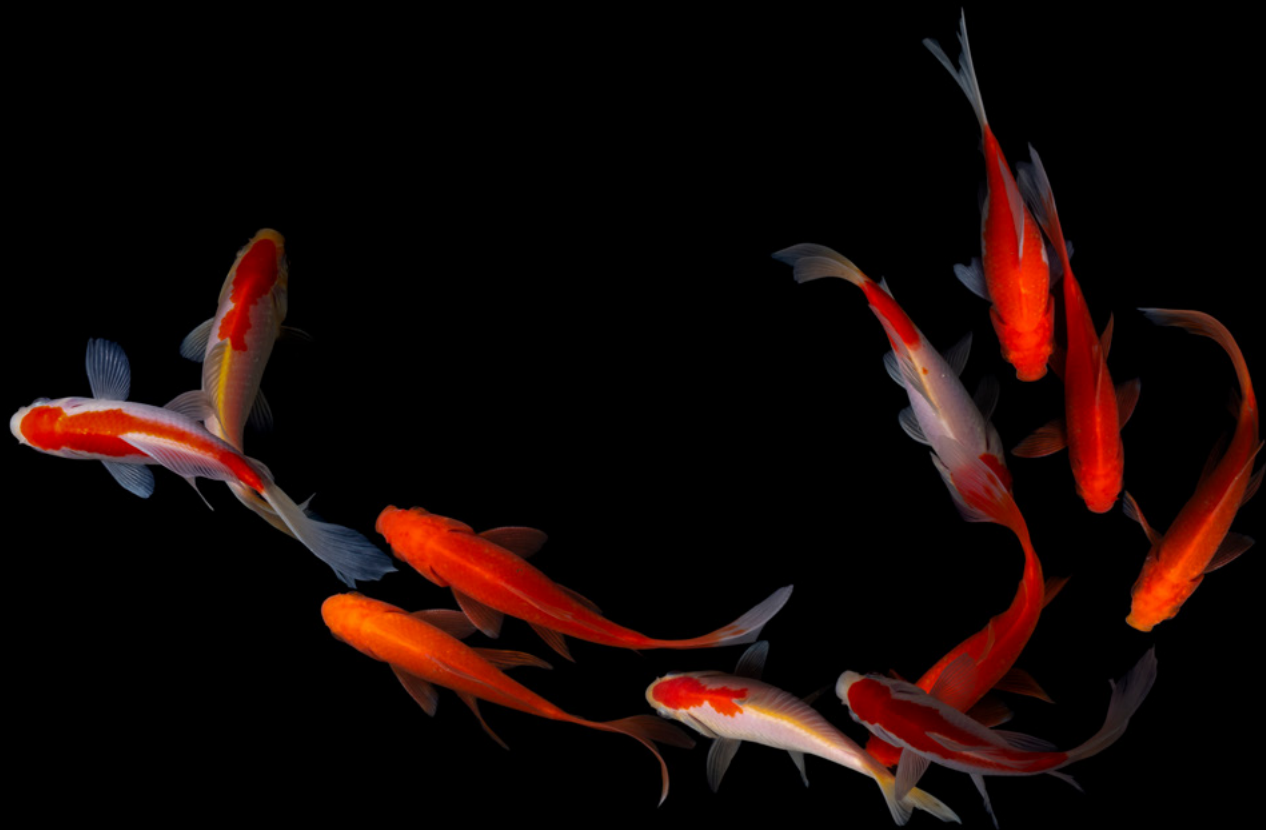
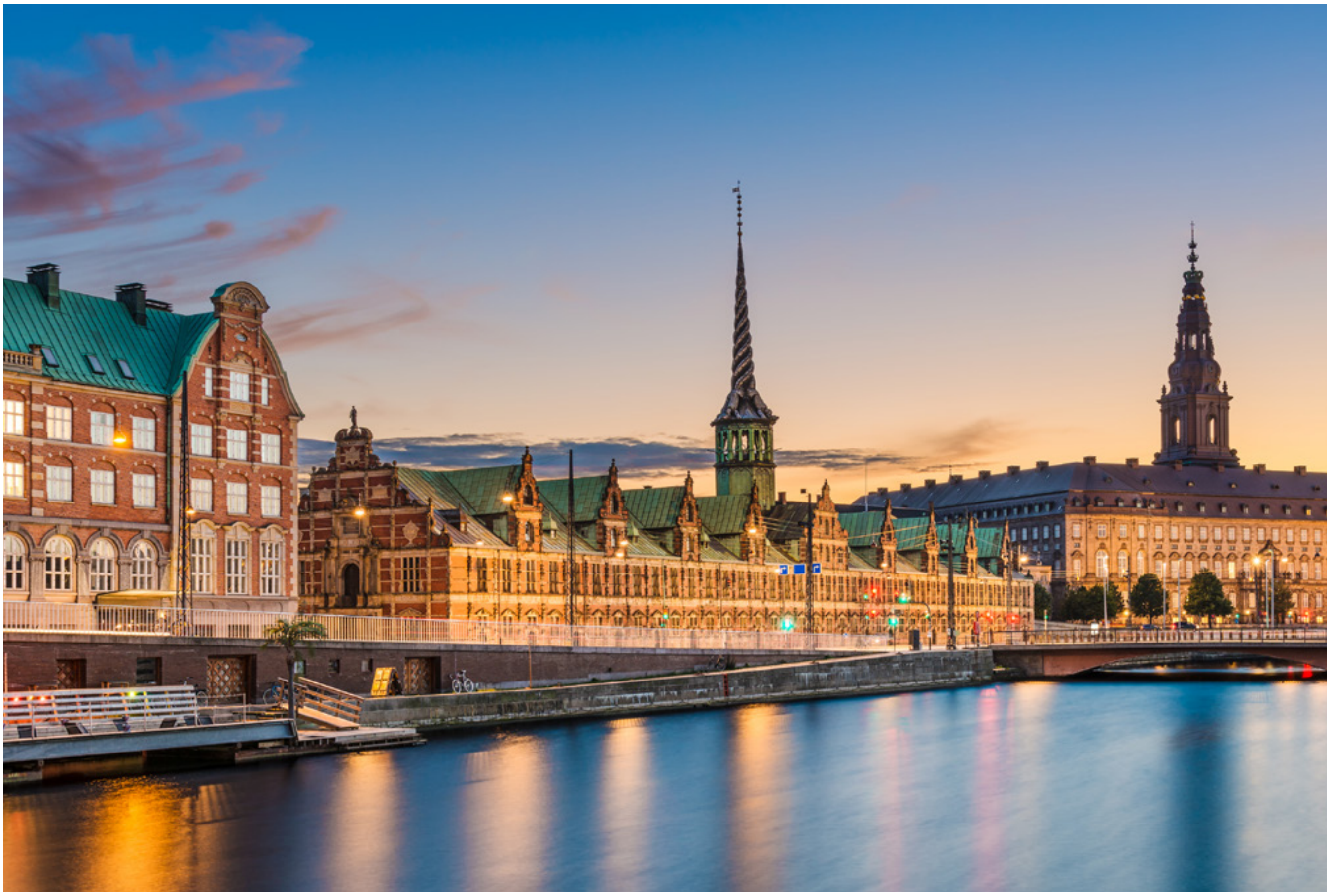


Advancing Asia

How will Asia's advancements in technology improve harminisation?



Deutsche Bank renews APAC fund services partnership with SimCorp

Deutsche Bank Securities Services has renewed its partnership with SimCorp to deliver fund services across Asia Pacific.

As part of the deal, Deutsche Bank is set to benefit from the platform's automated end-to-end transaction flow and reports as well as greater efficiency and scalability.

Additionally, Deutsche Bank will also be able to continue to address key operational challenges; from managing an increasing number of global, multi-asset investment strategies, to heightening regulatory reporting whilst reducing operating costs.

Meanwhile, the renewal agreement will cover markets and will support its growth in the region which mirrors with the Asian asset management industry's 'hyper growth', set to reach $112 billion by 2025.

Anand Rengarajan, APAC head of securities services at Deutsche Bank, said: "Following a 14-year partnership with SimCorp in Asia Pacific, we are confident that the continued innovation and feature-rich platform of SimCorp will continue to both meet our needs today and in the future. The fund services business in our region is growing rapidly and customers are demanding higher levels of service. Over the years, we have invested thoroughly in technology that can embrace these evolving needs, and this partnership is in line with this strategy."

Oliver Johnson, managing director of SimCorp Asia Pacific, commented: "We are pleased to announce the renewal of our partnership with Deutsche Bank. This agreement demonstrates the operational efficiencies that can be achieved through a consolidated platform, including superior services and access to new technologies and offerings, which are key in this fast-growing region."

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Deutsche Bank partners up with Xceptor

Deutsche Bank has partnered with Xceptor, the data ingestion and transformation specialist, which is a no-code platform that specialises in automating processes through data ingestion of any format, data transformation and process digitisation.

As part of the new partnership, Xceptor will automate Deutsche Bank's core process in Indonesia, as part of its broader optimisation and digitisation strategy. Additionally, Xceptor will help to automate reconciliations with multiple external parties for the bank's securities services business.

Clients will also benefit from more timely reports transmission and information on potential buy-in in the market.

Siantoro Goeyardi, chief country officer, Indonesia, at Deutsche Bank, said: "As one of the largest custodians for foreign portfolio investment in Indonesia, and a leading provider of cash management and trade finance services, we are committed to delivering best-in-class services to our clients and this partnership will help us maintain this standard."

Andrew Kouloumbrides, CEO at Xceptor, commented: "The Asia Pacific region is still distinguished by its continued reliance on the exchange of information and documents by non-digital means such as by fax. This means it still has a disproportionate amount of manual process and uncontrolled workarounds that can be easily automated by Xceptor to support the optimisation and governance efforts of its Operations and IT teams," Kouloumbrides explained.

BNP Paribas reveals positive AUC figures for 2019

BNP Paribas Securities Services has revealed that assets under custody and administration showed positive movement in 2019 as the bank revealed an increase of 12.2 percent compared to 31 December 2018.

BNP Paribas explained that this was due, in particular, to the integration of Janus Henderson's assets in the US since the end of March.

Assets under custody stood at €10.6 trillion, a 13.3 percent increase on 31 December 2018, while assets under administration were €2.5 trillion, which highlights an 8.1 percent increase versus the year prior.

BNP Paribas also revealed that services' revenues were up 0.9 percent in 2019, standing at €2.2 billion, compared to the year prior.

The bank explained that this was as a result of asset growth, which was up 8.2 percent on average compared to 2018; transaction growth which increased 2.3 percent on average; and strong growth in the Asia region, which saw an 18 percent rise compared to 2018.

Looking to the 2020 objectives, BNP Paribas anticipates continuing to grow business in all the operating divisions, by leveraging a strong business drive and the contribution of the diversified and integrated model. It was also forecasted that BNP Paribas will be able to leverage an 'ever more efficient and more digital operating model serving customers and employees'.

Commenting on these results, Jean-Laurent Bonnafé, CEO of BNP Paribas, stated: "With a net income of €8.2 billion, BNP Paribas achieved a very good performance in 2019 thanks to its good business drive and the effects of its transformation. BNP Paribas confirms the strength of its diversified and integrated model. The way the group operates has changed, being more efficient and digital for our clients and employees."

Bonnafé added: "The group is actively executing its ambitious policy of engagement in society with the ambition of being a leader in sustainable finance. I would like to thank all the group's employees who have been mobilised for these good results."

HSBC named global custodian for the first QDII Vietnam fund

HSBC Securities Services has been appointed as global custodian for the qualified domestic institutional investor (QDII) fund launched by Tianhong Asset Management (Tianhong AM), one of the largest asset management companies in China.

Patrick Wong, head of China business development and client management at HSBC Securities Services, highlighted that Vietnam is a "booming market with great investment potential".

The QDII fund marks China's first dedicated mutual fund that will provide an access channel for Chinese domestic investors into the Vietnamese capital market. The QDII scheme allows China investors through qualified institutions to invest offshore within allowable quotas, HSBC noted.

Tianhong AM's quota under the scheme is $200 million, according to data from the State Administration of Foreign Exchange dated September 2019.

The QDII fund will invest no less than 80 percent of fund assets in stocks benchmarked against the VN30 Index, HSBC explained.

According to HSBC, this includes the 30 largest stocks listed on the Ho Chi Minh Stock Exchange, and QDII also invests in depositary receipts issued by Vietnamese companies.

Wong commented: "Tianhong AM's QDII Vietnam fund has paved the way for investors to access the country's equity fund and we are very delighted to be part of this development."

"With HSBC's vast global network, we are positioned to support and connect our clients especially in China to access other frontier and emerging markets in Asia and the world," Wong added.

Financial crisis ramifications rack up $36 billion in fines

Global financial institutions have tallied up fines of as much as $36 billion since the financial crisis, according to the software company Fenergo and its December 2019 findings on financial institutions.

Marc Murphy, CEO of Fenergo, highlighted that the rise in financial crime and increasing regulation is creating a 'tough battleground' for financial institutions trying to stay on top of a multitude of regulatory rules across different jurisdictions.

"We are still seeing the ramifications from the financial crisis", Murphy said, "In today's climate there is no other option but to leverage next generation technology to achieve a more effective and streamlined approach to regulation that allows financial institutions to approach regulatory compliance in a 'business as usual' manner."

"This will leave room for more value-add tasks that will achieve competitive edge in the race to win on customer experience," he added.

Fenergo's report noted that the fines relating to know your customer (KYC), anti-money laundering (AML) and sanction violations have all increased by 160 percent in the 15 months since the last report in 2018. In total, 2019 brings an additional $10 billion in fines for non-compliance with AML, KYC and sanctions regulations.

Financial institutions were fined a further $82.7 million for data privacy and the second Markets in Financial Instruments Directive (MiFID II) violations. Additionally, amid global trade tensions, sanctions violations made up almost 40 percent of 2019 fines.

According to Fenergo, 12 of the world's top 50 banks were fined for non-compliance with AML, KYC and sanctions violations in 2019.

By country, Switzerland was the biggest offender after a tier-one Swiss bank received the biggest single fine at $5.1 billion for AML breaches by the French Criminal Court, which exceeded the bank's 2018 net profit of $4.9 billion by 4 percent, Fenergo revealed.

Italian banks were the second biggest offenders in 2019, racking up almost $1.5 billion in total fines for sanctions violations and global data protection regulation breaches.

The report also identified that two thirds of all fines issued by US regulators were aimed at European financial institutions for AML breaches and sanctions violations with countries such as Iran, Cuba, North Korea, Sudan, Libya and Myanmar.

The Asia Pacific market marked 0.07 percent of the 2019 fine value, and the majority of penalties were levied by regulators for AML and KYC shortcomings in India, Chinese Taipei and Pakistan.

Fenergo noted that 2019 was the first year that punitive fines were handed out to tier-one financial institutions for MiFID II transaction reporting breaches.

Two major fines amounting to $81.5 million were issued by the UK's Financial Conduct Authority for transaction reporting failures over a 10-year period preceding the introduction of MiFID II.

Meanwhile, the top US regulator by fines was the Department of Justice with over $1.3 billion in fines issued, which includes an enforcement action imposed on one of the world's top 20 banks.This incorporated a forfeiture of $717.2 million for the absence of an effective, global sanctions-compliance infrastructure and a lack of management oversight which resulted in sanctions violations.

Fenergo's global AML manager, Rachel Woolley, commented: "The scale of financial crime continues to grow while the methods used by criminals to launder the proceeds of crime evolve."

"Our 2019 fines analysis shows that many of the financial institutions penalised lacked appropriate systems and compliance infrastructures that are necessary to identify and address areas of high risk. Effective regulation technology is no longer a 'nice to have', it's essential for the future of banking and the reduction in global financial crime," Woolley concluded.

Microgen and Touchstone complete merger as IQ-EQ signs deal with the group

Microgen Financial Systems has completed its merger with Touchstone Wealth Management, a provider of wealth management administration and accounting systems.

The merger of Microgen and Touchstone is set to enable the combined company to provide the increased global coverage, scale and innovation to meet the requirements of a rapidly evolving market.

As the merger completes, IQ-EQ, an investor services group, has signed an agreement to extend their relationship to use the software across all its global offices.

According to Microgen, the fiduciary, corporate services, trust and fund administration industry is both growing significantly and consolidating into an ever-reducing number of leading global service providers.

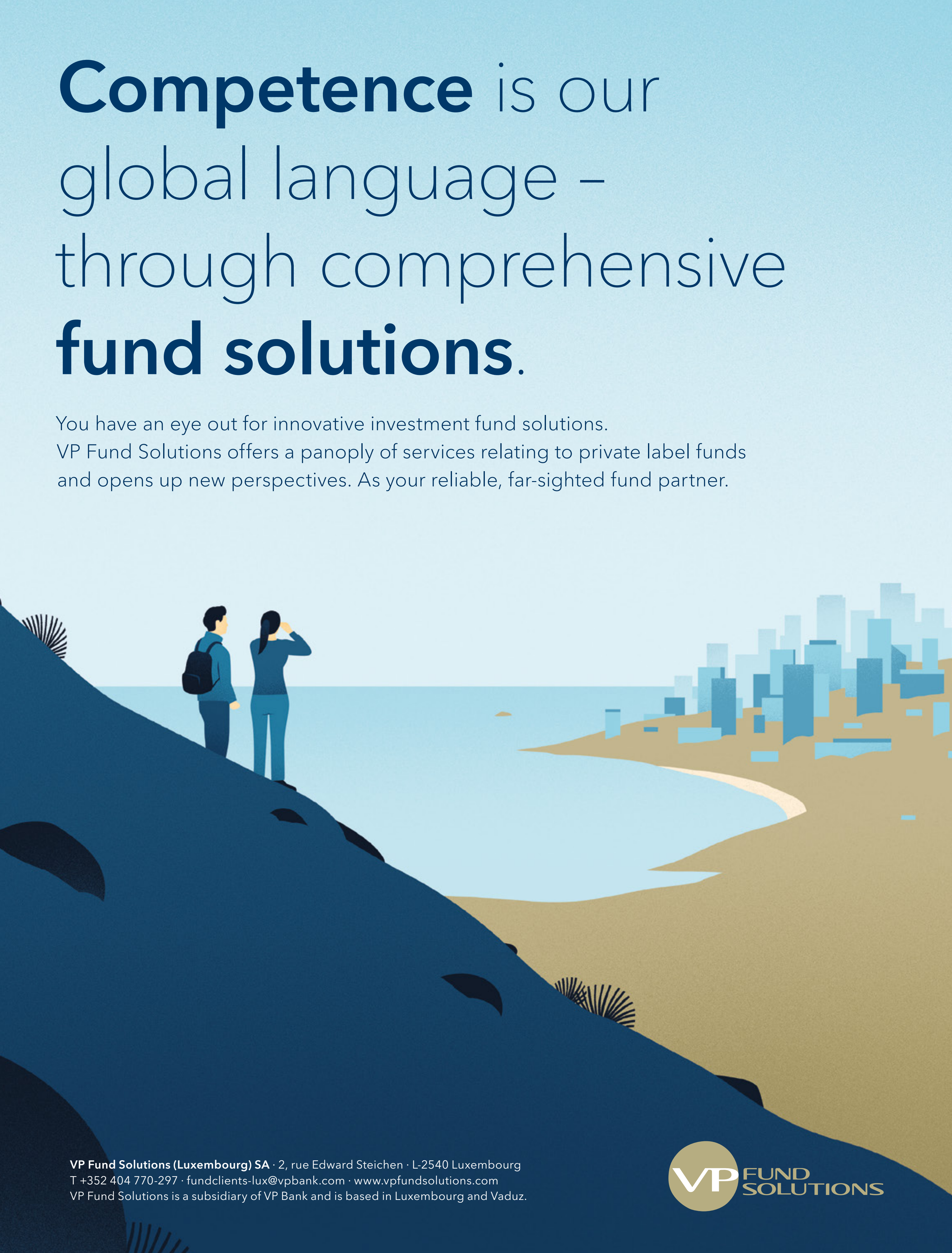
These providers, including IQ-EQ, demand global coverage, but with increased regulatory and digital capabilities, as well as support for changing fee models, Microgen explained.

Christiaan van Houtven, COO of IQ-EQ, commented: "I'm pleased to have extended our relationship with Microgen and confident that their merger with Touchstone will underwrite their commitment to us and the rest of the market, based on their increased scale and capacity to deliver the technology innovation we need as we continue to evolve."

Keith Hale, executive chairman of the Microgen and Touchstone merger, said: "I'm delighted that the merger has completed, so we can continue to quickly progress the integration, enabling us to service our clients in the best possible way."

"I've already been very impressed with the great chemistry between the teams. Everyone shares the joint goal of providing innovative, resilient, secure and modern technology to the corporate service, trust and fund administration market. Signing the extension with IQ-EQ is a great example of how we can support our customers to grow globally," Hale added.

Elsewhere, IQ-EQ recently strengthened in the UK and Ireland by bolstering its executive leadership team.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GPP to provide Cowen with custody and clearing services

Investment bank and financial services provider Cowen is expanding its prime brokerage services through the integration of its team with the brokerage arm of its European competitor, Global Prime Partners (GPP).

As part of the newly formed agreement, GPP will provide Cowen with custody, clearing and other related services.

GPP CEO Julian Parker explains that the combination of the prime brokerage teams is a "great strategic step for both businesses" that will allow GPP to focus on developing its global clearing, custody and wealth management business lines.

Additionally, the deal will include the transition of all GPP's prime brokerage team, including personnel from the sales, operations, client service, onboarding and trading teams to Cowen. Cowen will acquire a licence from GPP for its global back-office proprietary books and records software to support its prime brokerage business.

Mike Rosen, global co-head of prime brokerage and outsourced trading of Cowen, commented: "As competitors in the European prime brokerage market, we have long respected the GPP team. We are pleased to have the prime brokerage team join Cowen and to work together to support clients and build on our momentum."

Dan Charney, co-president of Cowen and Company, added: "We have tremendous respect for the GPP franchise, and we are pleased to have the opportunity to integrate the prime brokerage team. We also look forward to finding other ways to continue to work together in the future."

According to Cowen Prime Services, its team operates from multiple offices across the US and through affiliates in the UK, and currently serve several hundred investment managers who invest across a variety of structures and asset classes.

Further details on how the expanded team will be structured are not currently available.

Parliament Capital Management selects PEF services

Parliament Capital Management (PCM) has selected PEF services for fund administration.

According to PEF, its fund administration services team and fund accounting platform will support PCM.

José Otero-Freiría, managing partner of Parliament Capital Management, explained: "PEF's reputation for providing exceptional service to its clients, together with innovative technology solutions that will allow us to scale, were key drivers in our decision."

"PEF Services' extensive experience in working with debt funds will help us focus on expanding strategic, high-value initiatives like deal sourcing and asset management, among other areas," Otero-Freiría added.

Hank Boggio, senior managing director and CRO of PEF Services, commented: "We are delighted that Parliament Capital Management chose to outsource fund administration to PEF and look forward to supporting their endeavors to achieve greater efficiencies while focusing on growth initiatives."

ZEDRA expands presence with Poland acquisition

ZEDRA is set to acquire Awans Corporate Services, a corporate services specialist in Poland.

Awans offers traditional corporate services, including incorporation services, cash management and business advisory.

Once the deal is complete, Awans Corporate Services will be renamed ZEDRA Poland.

In addition, Piotr Augustyniak, founder of Awans Corporate Services, will become ZEDRA's head of central Europe.

Ivo Hemelraad, CEO of ZEDRA, said: "This latest deal will mark our first move into the vibrant and fast-growing Central European markets".

"With a population of nearly 38 million, together with a strong tradition for business startups and growth, we see Poland as a dynamic and important new market for ZEDRA. I am looking forward to welcoming the staff and clients of Awans Corporate Services to ZEDRA."

Bartek Bielski, managing director of Awans Corporate Services, added: "The opportunity to become part of ZEDRA, with its proactive and positive 'do more, achieve more' approach, and getting access to its international network of professionals is one which we found compelling and certainly in the best interest of our staff and clients."

This acquisition follows on from deals in Singapore, the Isle of Man, Switzerland, and Nordic markets signed and announced in 2019.

BitGo expands into Switzerland and Germany

BitGo, a provider of security, custody and liquidity, has expanded its presence with new custodial entities in Switzerland and Germany.

BitGo's Swiss entity BitGo GmbH is a member of the Financial Services Standards Association (VGF), supervised by the Swiss Financial Markets Authority (FINMA).

Meanwhile, its Germany entity, BitGo Deutschland GmbH, is currently providing custody services in Germany and will apply for regulatory approval when the application window opens in November 2020.

According to BitGo, it introduced the first regulated custodian purpose-built for digital assets in 2018 when it launched BitGo Trust Company in the US, and has seen ' strong adoption'.

With the two new companies in Switzerland and Germany, BitGo clients can select the jurisdiction that is the best fit for their business.

Mike Belshe, CEO of BitGo, commented: "We saw a lot of demand in Europe last year and it was clear that clients there needed to be able to work with European based firms that were regulated within specific jurisdictions.

Switzerland and Germany have both become important European centres for digital assets as well as for forward-thinking regulatory frameworks. Regulatory compliance is a prerequisite for our clients, and we have been impressed with the understanding and support of Swiss and German regulators," Belshe added.

ESG: the new normal?

Investment in ESG products exploded in 2019, supported by new ESG product launch and strong investor interest. Is this a fancy trend or a significant shift in the market? Will investment products with explicit ESG products become the norm? Nathalie Dogniez of PwC Luxembourg explores more

Over the past years, asset managers have massively invested in environment, social and governance (ESG) capabilities, recognising that embedding ESG consideration within investment decisions adds the qualitative aspect to the investment process, allowing one to identify investment risks – such as controversies that could affect a company's performance – or opportunities, for example, companies well-positioned to address sustainability challenges.

The integration of ESG factors into the investment-management process started with blue-chip equity investment but is now a dimension that is increasingly embedded within all asset classes – including private investment and real assets.

At the same time, interest from investors has significantly increased, starting with institutional investors but expanding to all categories.

In our latest publication, **Asset and Wealth Management Revolution: Investor perspectives - Rethinking purpose and performance**, we surveyed 750 institutional investors and 10,000 retail investors and found that ESG is the third priority of investors (across all categories and continents), more important than fees.

In response to increased market demands, asset managers have introduced more ESG products on the market.

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By ESG products, we mean products that are sold as such to investors, with an explicit ESG objective – this is in contrast to portfolios where ESG factors are integrated amongst other data considered in the investment process.

Furthermore, the upcoming EU regulations are likely to accelerate this transformational change, making it a requirement rather than an option. The EU Commission pursued three main objectives when implementing its ambitious Action Plan on Sustainable Finance, as released early 2018:

- **To manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues**
- **To foster transparency and long-termism in financial and economic activity**
- **To reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth**

Managing financial risks

Indeed, the EU Commission shall soon impose all asset managers to consider sustainability risks, such as ESG risks, among their processes, addressing the concern that the next stability crisis affecting the financial sector could stem from underestimated sustainability risks, such as climate change for instance. As a result, even the ESG or climate sceptics will have no option but to adapt their investment approach.

Foster transparency and long-termism

The soon-to-come new rules will also transform the interaction with investors, requesting the formalisation of investors' ESG preferences, to be linked with products' target-market definition. Those products with no environmental or social explicit characteristics will only be eligible for investors with no ESG preferences.

Considering that more than 90 percent of EU citizens see climate change as a serious issue, betting on the high proportion of them claiming that they have no ESG preferences at all, may reveal a risky strategy. Asset managers have only one year to redefine their product approaches—distinguishing between those that exhibit environmental or social characteristics, those that will be considered as Sustainable (based on the new definitions introduced by the EU commission) and other products—and engage with distributors about their products' re-classification and adjust product prospectuses in line with the newly imposed disclosure requirements.

Indeed, the new regulation on sustainability-related disclosures, as published in the OJEU on 9 December 2019, introduces comprehensive disclosure requirements, at asset manager and at the product level.

All asset managers will be required to disclose how they manage sustainability risks, such as the risks that environmental or social issues could negatively impact the value of the assets, hence the performance of the portfolio, and large asset managers will also have to disclose the impact of their investment decisions on environmental social or employee matters. Alignment of the remuneration policy will be required.

The regulation also requires extensive disclosure at the product level. All products will have to assess and disclose the likely impact of sustainability risks in their return—and if not relevant, justify why. Products promoting environmental or social characteristics will disclose in the prospectus or website how these characteristics will be met and in the annual report how they have been achieved. Products qualifying as sustainable investments will also be asked to report on the sustainability-related impact of financial products.

Reorient capital flows towards sustainable investment

Unlike the approach currently taken by various labelling initiatives, the regulations do not define what is to be considered as an ESG product as a reference to certain investment processes, such as the exclusion of specific sectors, best-in-class or positive ESG screening.

The approach chosen by the EU commission under the "to-be finalised soon" taxonomy regulation is rather to focus on the activities of the underlying investments, proposing a screening mechanism to determine if these activities are in line with the EU environmental (and in a later stage social) objectives. The six environmental objectives identified by the commission are:

- **Climate change mitigation**
- **Climate change adaption**
- **Sustainable use and protection of water and marine resources**
- **Transition to a circular economy**
- **Pollution prevention and control**
- **Protection and restoration of biodiversity and ecosystems**

For the sector of activities that could contribute the most to the achievement of these objectives, the commission will define technical screening criteria in order to determine when an underlying activity can be considered as sustainable. As an example, the technical expert group on sustainable finance has proposed some metrics and thresholds for sectors as diverse as transportation, manufacturing and real estate.

The specialists will focus their work on climate change-related objectives in 2021 and will address the other four environmental objectives in 2022.

The taxonomy regulation will also amend the just-adopted disclosure regulation mentioned above, requiring funds to disclose the percentage of the investments in taxonomy-aligned activities (products promoting environmental characteristics and environmentally sustainable investment) or a statement indicating that the financial product does not take into consideration the EU criteria for environmentally sustainable investments. These changes will occur between 2021 to 2022, leading to successive adjustments of pre-contractual information. The taxonomy will also impose new requirements for large listed companies, which will be required to complement their non-financial reporting with information on the proportion of their activities that are aligned with the taxonomy. These changes are transformational by nature, as they will affect product and distribution strategy.

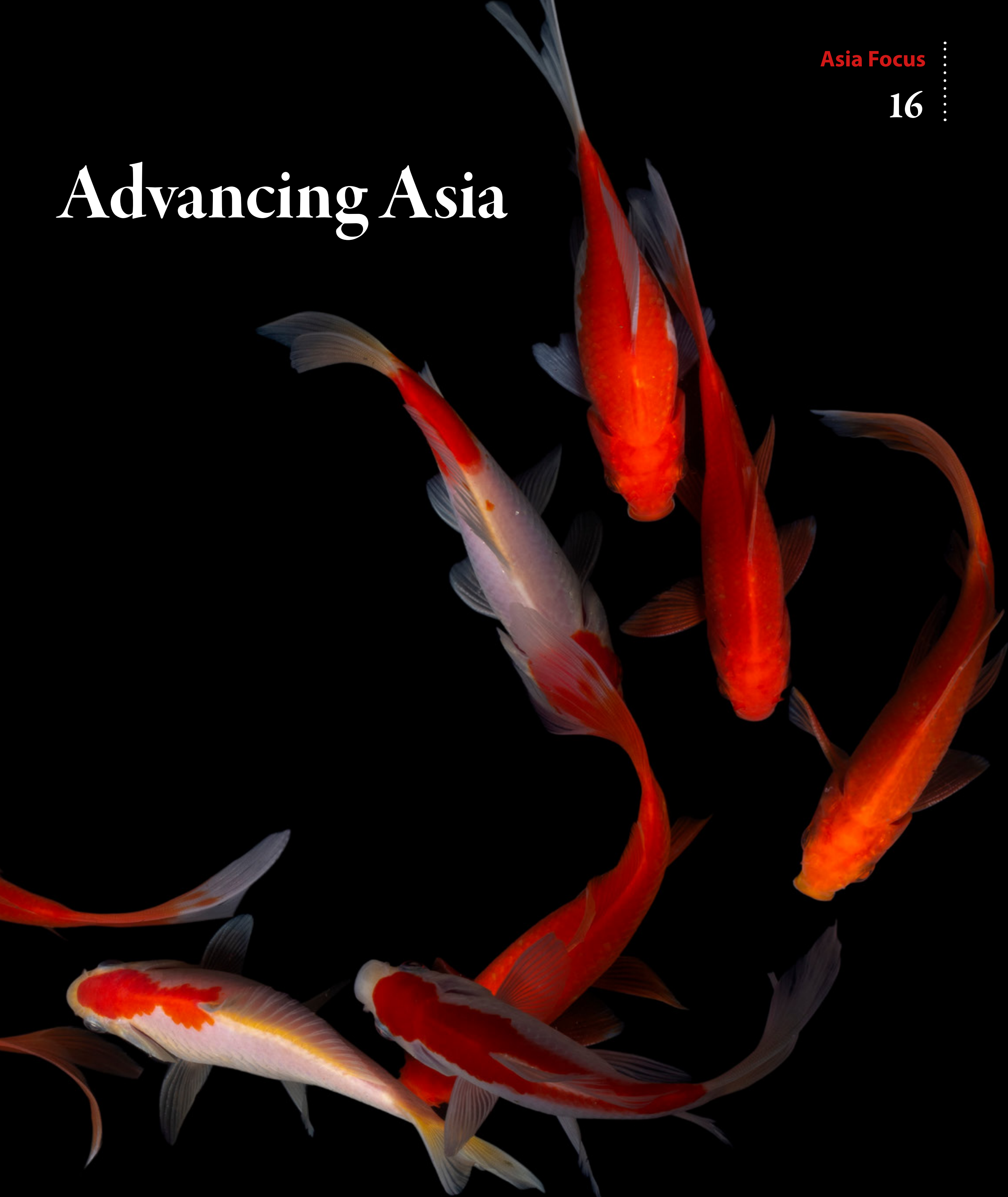
The product review and related disclosure requirements could be seen as a costly compliance exercise – significant developments of the data acquisition and quality review processes, risks assessment and monitoring activities, as well as investors reporting, will indeed be necessary, over a very short time frame. But at the same time, it is a fantastic opportunity for front-runner European asset managers to deploy a successful product and distribution strategy.

Given the very tight time frame, some could be tempted to play the clock, betting on a delayed implementation. Such a strategy would be very risky: the new commission has indeed announced clearly, through the Green Deal plan, for instance, that financing transition to a greener economy is a top priority – expanding the sustainable finance agenda.

Transition to a greener economy is not only a key European priority but also a societal challenge. And most of the EU citizens now recognise that we all have a role to play in this critical and urgent battle to secure decent environmental conditions for our next generation – we can only win if citizens, investors, financial market players, public and private sectors join forces on a common ambitious agenda.

Nathalie Dogniez
Partner
PwC Luxembourg

Advancing Asia



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Maddie Saghir reports

Asia's asset servicing faces a multitude of challenges and opportunities over the next 12 months but its advancements in technology will help it see improvements in harmonisation and deliver additional services to clients

Being the largest and most populated continent on earth, Asia remains a key player in the world of technology development and innovation. Technological developments such as 3D printing, virtual reality, robots and driverless cars, are just some of the innovations emerging from the region. But it doesn't stop there.

The financial services industry holds a tremendous potential that could be unleashed if fundamental underlying challenges are addressed. Technology acts as a double-edged sword, although in the financial services industry it can offer opportunities including automated processing and the delivery of tailored services to clients, it can also be costly.

Whether you hold a positive or negative view on technology, the fact is, the financial services industry is now heavily dependent on it as it continues to develop at lightning speed.

In Asia, Northern Trust's head of global fund services, Caroline Higgins, suggests that technology is no longer transforming the way we do business, it's now the way we do business.

Technology plays a prominent part in Asia's asset servicing industry, and experts have identified that Hong Kong and Singapore are particular 'stand-out' countries, making them leading, mature and well-developed financial service centres within Asia.

Higgins notes that both Hong Kong and Singapore are home to many of the world's leading banks, wealth and asset managers.

She says: "The Hong Kong market has continued to operate as the window to China, by developing programmes including the Hong Kong Stock and Bond Connect. Singapore launched the Variable Capital Company (VCC) fund structure in 2020 which includes alternative asset types as part of the pilot programme."

Asia has an exciting year ahead, especially in terms of technology, but industry experts warn that the region will also face many hurdles. Experts from Northern Trust, BNY Mellon, and HSBC Securities Services explain more.

The current climate

Describing the current climate in Asia's asset servicing industry, Higgins says that in 2020, Asia Pacific asset managers are focused on investors' asset preferences, fee and performance pressure, technology use and growing their assets under management, in Asia and globally.

"The asset servicing industry is responding to these changes by extending their offerings, which were historically focused on traditional assets, to alternative investments and on providing strong global operating models and solutions to support front to back-office needs", she explains.

Higgins adds: "Asian asset managers are starting to follow trends seen in the US and across Europe, Middle East and Africa for many years and are considering how they can transfer their operational risk, fixed costs and regulatory compliance to a global service provider. It's important to manage the present whilst looking forward, in order to stay ahead of the fast pace of growth in areas such as tokenisation, cryptocurrency and distributed ledger technology (DLT)."

Meanwhile, Brian Godins, head of HSBC Securities Services, Asia Pacific, notes that the pace of change in the asset servicing industry across Asia continues unabated.

Godins identifies that one of the key reasons for this is the increasing demand for outsourcing by asset managers/owners and the demand for a robust asset servicing capability by banks and broker dealers.

He suggests that as their assets and portfolios grow in terms of scale and complexity, clients need to make a decision in terms of either investing in more robust/scalable technology or outsourcing to specialist asset servicers.

"The demands placed upon them by their underlying clients means most of these decisions lean towards outsourcing, to enable them to focus on generating returns and servicing their clients, rather than manage back and middle office activities in-house," Godins says.

Additionally, Godins observes that other drivers to outsource include challenges linked to finding and retaining talent and the cost of managing the pace of change – whether it is new products, market requirements or indeed regulatory change requirements.

Besides the traditional custody and fund administration activities, Godins says there is an increased demand for solutions in the middle office and transfer agency across the region. He notes: "These present significant growth opportunities for asset servicers who have the capabilities and presence across various markets in the region."

While there are opportunities, there are also challenges, especially in terms of costs since the expectation is to reduce the operational cost base, according to Godins.

He explains: "This is not always easy, especially in cases of relatively low cost of in-house operations on sub-standard/non-scalable technology models. Therefore, it is important for asset servicers to continue to drive efficiencies that deliver greater value for clients while ensuring profitability."

In terms of the standout Asian market, Mathew Kathayanat, director and head of product and strategy for Asia Pacific, asset servicing, BNY Mellon, argues that China is the key focus and its capital markets are rising to meet the share of impact that the country's economy has on the global economy.

"This is a process that has been ongoing for some time. Plus China offers an attractive opportunity as a source of yields. That being said, it poses challenges to get into Chinese assets, and investors are entering cautiously, assessing in particular how easy it is to get in and out of the market considering the remaining capital controls," Kathayanat adds.

Technology takeover

Amidst challenges, technology is providing opportunities that has helped to improve harmonisation in Asia. Kathayanat highlights that Asia's growing role in global markets and the financial ecosystem naturally mean that technology is a key enabler of improved harmonisation.

He suggests that the best example of this is blockchain, which regulators and big financial institutions are looking to as a means of increasing transparency, interoperability, and resilience to market events.

"Blockchain is already transforming the way in which securities are being issued, traded, cleared and settled, and not too far down the line, various types of assets will be tokenised, inevitably leading to greater regulatory and practical convergence between different jurisdictions," Kathayanat says.

Discussing where technology can be further seen to unlock value in technology, Kathayanat states: "Essentially, it [technology] will help to continue to unlock value as asset servicing companies develop technologies such as AI and machine learning to deliver additional services to clients in a proactive fashion."

Besides application programming interfaces (APIs) and real time data delivery, one of the areas where technology can play a big role is transfer agency services and the use of online/mobile tools, according to Godins.

He explains that this is already "in play" and has "the potential to tap into a huge untapped investor-base for asset managers in many other markets".

"Given the geographic expanse of some of the Asian markets and very low penetration rates, effective technology solutions (combined with investor education initiatives) provide a huge opportunity for asset managers and asset servicers", Godins adds.

Most Asian central security depositories (CSDs) largely rely on non-straight-through processing (STP) channels for delivery of asset servicing information, however, according to Godins, there is a move toward the use of DLT to capture, create and store corporate action related data on a distributed ledger.

Harmonisation

Aside from technology, regulation is also helping to improve harmonisation between markets in Asia by collaborating with other countries within the Asia Pacific region. Higgins explains that this enables them to understand both the challenges and lessons learnt.

Last year, China was the world's best-performing major equity market, according to Kathayanat who says this makes it the most important in terms of harmonisation in Asia.

"We have seen clear moves towards harmonisation in China, the most obvious examples being the proposed merger of the Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor schemes, the removal of investment quotas for those schemes, the easing of market entry rules, and the liberalisation of the foreign exchange market," Kathayanat comments.

Godins also highlights that there have been a few funds passporting schemes launched in the region over the last few years such as the HK-China Mutual Recognition Scheme and the Association of Southeast Asian Nations passporting Scheme.

While this has been an attempt to improve harmonisation and efficiency in terms of fund manufacturing and asset servicing, Godins explains that the uptake of such schemes has not been encouraging.

He comments: "Therefore, this continues to present challenges for both asset managers and also asset servicers especially in areas like local regulatory requirements and tax requirements besides local investor buying behaviour/demand. It is not possible for global asset servicers to just roll out a standard proposition and model across markets in the region and be successful."

He also notes that the proposition needs to be tailored for every market, although there is some degree of standardisation in the more mature markets.

"The challenge is to be able to successfully implement a global model while incorporating all local market nuances, and to do this at a low cost", Godins says that those who can do this well will be successful.

The future horizon

Looking to the next 12 months, industry experts expect to see a close focus on the digitising processes, data integration and technologies such as AI and machine learning. Godins predicts this will only increase as companies in the industry either embrace the wave of change that is sweeping through it or find themselves left behind.

He also believes that there is likely to be an increased focus on alternative investments, such as private equity, real estate, emerging Asia and private credit, which is becoming more transparent.

Godins adds that climate change will help to make "environmental, social and governance increasingly mainstream – it's doing so already – compelling asset servicing firms to reorient themselves accordingly".

At Northern Trust, Higgins says: "We envisage the outsourcing trend continuing to gain momentum in Asia, particularly in areas such as the middle office. As asset managers in the Asia Pacific region face challenges such as evolving regulatory requirements and continuing pressure on fees, there are opportunities to be realised by middle office outsourcing."

Higgins also predicts that as alternative assets continue to become mainstream, service providers must evolve their operating and service models to ensure they are fit-for-purpose for the Asian manager.

New fund structures such as the Singapore VCC are of international standards and offer flexibility for both traditional and alternative fund strategies, sub-funds and improve tax transparency, according to Higgins.

She says that with the launch of the VCC structure raising demand for alternatives and Singapore incentives, "we expect to see active interest throughout 2020 and onwards".

"The pace of change has never been more rapid and asset service providers will need to be agile, flexible and increase their time to market," Higgins concludes.

Pushing the boundaries

Maddie Saghir reports

Haytham Kaddoura explains that as SmartStream continues to expand its capabilities into further sectors, the focus is to keep pushing the boundaries with new technology

How would you describe the current environment within the asset servicing industry?

Technology is playing an increasingly interesting role in this area - especially with the rise of artificial intelligence (AI) and machine learning, and their entrance into daily processes within the financial services industry. Many of the banks' deployment strategies are now looking at the cloud to deliver functionality to the broader operation as they strive to seek operational excellence.

We are finding that regulatory requirements are the driving force behind this change, and are impacting the way the industry uses technology.

What impact has regulation had on technology?

The impact of regulation on financial services has been massive. The introduction of more complex and costly regulations is seeing a rapid development in new technologies and services that specifically address these challenges and make a difference to the automation of processes within financial services firms. The effectiveness of technology in relation to capital markets isn't new to SmartStream, but it has taken a financial crisis and new regulations, for example, the European Market Infrastructure Regulation (EMIR), the first and second Markets in Financial Instruments Directive (MiFID II), and the Securities Financing Transactions Regulation (SFTR), for the industry to recognise the importance of the third-party vendor community and the technology stacks readily available to support their businesses in the adoption of new digital strategies.

SmartStream is well prepared to deal with incoming regulations, we have built a suite of mature solutions and services which have been developed with our market practitioners over 40-plus years, aimed at solving real problems in the industry. Functional enhancements and deployment options are continually being implemented as part of the ongoing investment we make in our product roadmap.

With all of these increasing regulations, how important is technology in allowing for a more effective and streamlined approach to regulation?

Regulators are demanding more from the financial services industry and without continued investment in technology, every regulated entity risks being unable to keep pace with change and becoming a failed organisation. Fines for non-compliance can be steep within this area, so it is essential that firms keep abreast of regulatory change.

When approaching regulation, technology is an important factor that needs to be considered.

The latest regulations allow a limited timeframe to provide compliance reports given the masses of data that the executions need to go through — and technology is crucial to this process.

Industry demands are so great that entering information into a spreadsheet manually will no longer suffice. Moving to a more expedient, automated solution is a necessity to stay relevant in this highly competitive world, enabling firms to streamline operations and become more resourceful.

Now more than ever, banks need to respond to regulation and technology vulnerability. Inbound problems are putting increasing pressure on internal systems and there is a growing need for firms to adopt frictionless solutions, which are able to move at the same pace of change without causing massive disruption and cost.

SmartStream is working with its clients to make sure they realise the benefit of change without carrying the technological burden. Through adopting the latest technologies, and by freeing up resources, new revenue streams can be achieved from operational excellence.

Predictive analytics has propelled AI, it allows institutions to go beyond understanding historical data

What opportunities has AI so far unearthed in the industry? How will AI further transform the asset servicing industry?

Predictive analytics has propelled AI, it allows institutions to go beyond understanding historical data. It is producing useful insights that delve into what has happened and suggest what could be done to improve a certain scenario. In addition, it can help institutions detect trends and customer requirements as well as dynamically shape the way they interact with their clients, allowing them to identify what their clients need.

As part of the ongoing development, we will expand the use of AI and machine learning capabilities to allow customers to use even more data structures

Towards the end of last year, we launched SmartStream Air, the first solution to be developed by our innovations team in Vienna. It is a truly cloud-native AI-based reconciliations platform designed to deliver results in seconds. Processes that would typically take days or even weeks can now be managed with fewer resources and with minimal intervention.

With machine learning algorithms, data is continually being improved which results in better outcomes. Over time, by using this approach, we can minimise the amount of data required to resolve the task in hand.

We will continue to expand the use of AI to allow customers to use even more data structures and it is being embedded into many of our modules.

What is SmartStream currently working on in the technology space and what is on the agenda for 2020?

As part of the ongoing development, we will expand the use of AI and machine learning capabilities to allow customers to use even more data structures.

Our innovations team is already realising the new possibilities that technology brings to the solving of real business problems. For example, we are using technology to understand natural language processing, which is an AI-based technology that deals with the interpretation by machines of spoken human language.

Over time we will be embedding AI and machine learning technology into all of our solution modules, and as we continue to expand our capabilities into further sectors, our focus is to keep pushing the boundaries with new technology.

How do you expect the asset servicing industry to develop over the next few years? What parts of the industry will excel and who will get left behind?

Middle- and back-office processing will undeniably become highly automated and super smart. Although it will be heavily reliant on AI and machine learning, I think it will require a degree of strategic intelligence, as well as human interaction and validation.

SmartStream is helping its clients solve future problems, rather than reacting to the here and now. The companies that will get left behind will be those who refuse to invest in future technology in order to respond to market vulnerability and regulatory change. Technology is a catalyst for change and it is going to further alter the way the industry does business.

There will always be a place for niche players and niche markets, but in order to compete, they will need to upgrade their technology to stay relevant today and in the future.

Haytham Kaddoura
CEO
SmartStream Technologies

A juggling act

Maddie Saghir reports

As firms continue to juggle innovation, customer loyalty and deal with the complexity of regulatory change, Broadridge's Philip Taliaferro discusses regulatory challenges for the year ahead

What will the main regulatory challenges be for the year ahead?

The underlying conundrum is how to innovate, drive customer loyalty and grow while dealing with the velocity, scale and complexity of regulatory change across jurisdictions. Firms need a robust regulatory governance model and an agile response to regulatory and market changes such as the Securities Financing Transactions Regulation (SFTR), the second Shareholder Rights Directive (SRD II), UK Assessment of Value and the Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime to name but a few. Adding to this, we know that firms are also planning for other mandatory changes such as the wider introduction of ISO 20022 as the global standard for payments messaging.

What opportunities can come about as a result of regulation?

Increasingly, we will see firms take a more strategic approach to regulatory technology. For example, while some have responded to previous waves of G10-related regulations for trade and transaction reporting – Dodd-Frank, the European Market Infrastructure Regulation (EMIR), the Markets in Financial Instruments Directive (MiFID) and more besides – with a discrete, tactical solution, a growing number of these firms are now adopting a single, strategic solution that enables a more centralised and efficient approach to reporting across all jurisdictions. By taking this approach, these firms will find themselves relatively well-placed to onboard the latest of these regulations, SFTR due in April 2020, and others as they continue to evolve.

Regulation can be seen as both a help and a hindrance it seems, but to what extent did MiFID II foster competition and create opportunities via trading and clearing?

It was an important step in helping to restore investor confidence in the European financial markets, especially after the 2008 crisis. It increased cost transparency and investor protection by extending the discipline of trade and transaction reporting and forcing asset managers to make their fee structure more explicit. However, one of the consequences, assumed unintended, is the reduced availability of research in certain, generally smaller, companies.

A recent report found that global penalties in 2019 totalled $36 billion for non-compliance with AML, KYC and sanctions regulation, and fine value is 55 times the value of all MiFID II fines issued in 2018. Why are we seeing increases in fines and can we expect more in 2020?

After the introduction of MiFID I, there was a significant delay until we saw sizeable fines in the 2017/2018 years. As such, we expect MiFID II fines to increase as the regulation beds down.

How important is it to employ next generation technology to comply with regulations?

Regulations are introducing requirements that many legacy applications cannot support. The opportunity in asset servicing is to mutualise the

cost of these non-differentiating activities through technology innovation that works for the collective benefit. For example, in September 2020 the updated Shareholder Rights Directive (SRD II) will require intermediaries to share information more quickly, accurately and transparently, especially in the areas of meeting notification and proxy voting, while also fulfilling their obligation to disclose shareholder details to issuers upon request. In response to this, fintech solutions are already well advanced, including a blockchain-based shareholder disclosure hub. At Broadridge, we are also heavily invested in cloud-enabled technologies which are being used to address MiFID II, SFTR, CSDR and SRD II.

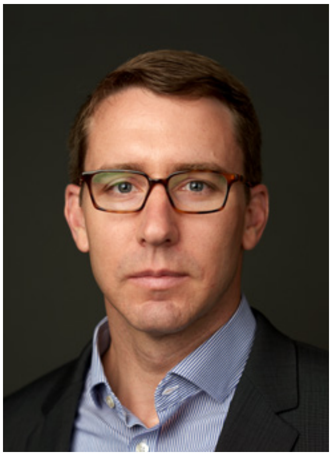
What will be the main industry trends for 2020 and how will this affect regulation?

Firms are looking to capitalise on new fintech innovations as part of their drive to transform to more efficient operations and technology infrastructure. They seek to streamline workflows and consolidate to improve their management and control frameworks while reducing risk and complexity, which in turn will position them well to address regulatory changes. Globally, there continues to be a drive to higher standards of corporate governance, as exemplified by SRD II, which will impact intermediaries in all regions if they hold or invest in European shares.

One other emerging development is how the UK will go about defining and implementing regulations following Brexit. Pending those decisions, the EU will be reviewing the degree to which they will be viewed as 'equivalent' to existing EU regulations. This will determine the balance of power between the regimes and the potential for regulatory Balkanisation.

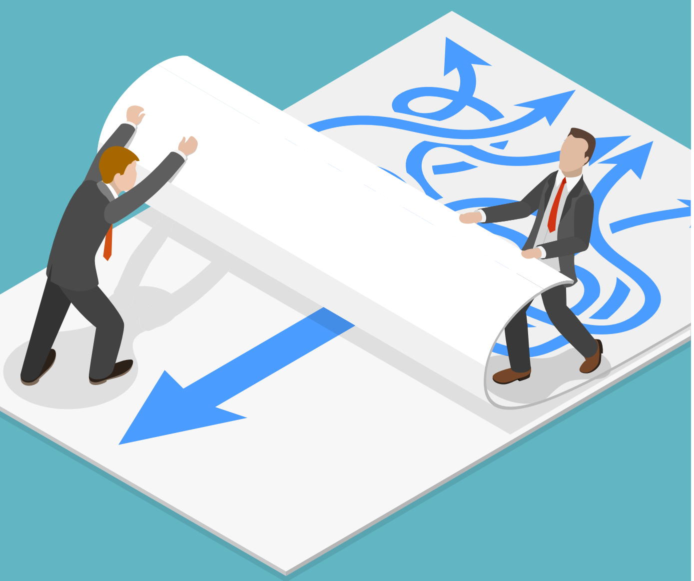
How effective are the regulators in keeping up with the latest industry trends and evolution?

We have experienced relatively strong engagement from SROs, prudential regulators and central banks over the last 18 months. In a number of cases, they are looking for viewpoints from a provider as to how to achieve a regulatory objective but do so as efficiently as possible. They are also seeking insights on prior experience implementing similar regulations in other jurisdictions.



Philip Taliaferro
Head of strategy
Broadridge International

Simpler, smarter, safer



Abdul Sheikh of CIBC Mellon explains how to run operations smoothly and efficiently amid an increasingly disruptive digital/operations environment

When it comes to investing across borders, maintaining a best-in-class operating model is central to the success of any financial services firm – but that's only part of the picture. A sound strategy, an eye for risk management, and a company's culture—especially its people—are just as important in the long term. In Canada and globally, ensuring these elements complement each other is key as digitisation continues to disrupt the banking world. Disruption is healthy; it gets us out of our comfort zones and makes us conscious of the competitive landscape, especially as organisations continue to move toward connection, digitisation and technology. From internal processes and employee education to vendor management, businesses are expected to remain vigilant and work to continuously improve the controls and security measures in place to protect themselves and adapt to the rapid technological advancements. Persisting through the tide of digital disruption reminds us that we must continuously innovate and evolve so that we can best support our clients.

Across the globe, institutional investors are focusing on their core competencies – the areas where they can add genuine value to their clients and cross-border operations. At the same time ability to adopt new and transformative technologies at an accelerated pace has enabled the creation of new business models. This is creating new and divergent requirements for service providers. Finding efficiencies and reducing costs are significant factors, though clients are also looking for ways to improve their operating models that add value and are sustainable. Leveraging the right technology in order to drive innovation forward is a key factor in improving efficiency – and the attractions of outsourcing processes to providers with suitable scale, focus and resiliency are considerable.

The challenge for any financial institution is to drive innovation while delivering on all the day-to-day tasks that keep our businesses running. It is vital to recognise the importance of resiliency and data security. Canada's regulatory regime itself is relatively complex, with a number of industry self-regulatory bodies, provincial regulators and federal regulators. Clients want to know that firms are reacting to unplanned challenges in a prompt, organised and effective manner.

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Here is our approach for delivering transformation to run a simpler, smarter, safer firm – and to help our clients achieve the same goal:

I) Focus on placing the client experience at the centre of everything we do

Institutional investors are increasingly global and digitally savvy; the trends in their personal lives—where they have access to real-time information that's pushed to them instead of having to retrieve it—influence what they expect of their institutional bank. Strive to be proactive, anticipate clients' needs, and provide them with data and insights at the moment they need them. While data has never been so abundant or as easy to access, leveraging that data remains a challenge. Clients want to leverage data and analytics to improve investment and earnings outcomes. This requires access to timely data in the manner they want to receive it. In Canada, financial market participants continue to seek efficiencies and stronger controls through operational transformation, which includes exploring new opportunities to capture and further engage with emerging data trends in collaboration with service providers.

While clients are evolving their expectations and demands, it is important to stay ahead of their needs. Improving client experience can include:

- **Supporting clients as they launch additional complex products and solutions, including expanding into credit, real estate and other alternative investment solutions**
- **Enabling faster account openings**
- **Improving access and speed to new markets**
- **Making it easier to do business around the globe by identifying network partners that are equally advanced in their local markets**

II) Choose the right technologies

Digital technology is at the core of everything we do. In many ways, technology doesn't just enable the business; it is the business.

Keep the client experience at the heart of your technology discussions. Be aware that clients differ in how they prefer to interact with you, so a one-size-fits-all solution will not always satisfy their requirements. You must develop solutions which are both adaptable and scalable.

Emerging technologies are also enabling efficiency across internal operational processes at an exponentially higher rate. Take the automation of the end-to-end reconciliation process, for instance. Machine learning can quickly classify many types of breaks, route them to the appropriate downstream systems, and then through rules-based engines, automatically resolve them, all without human intervention.

Investing in digital, data and analytical capabilities across the business brings valuable, back-office data to empower the front office. This approach also enables clients to securely capture and process data from a wide array of sources and vendors to turn into meaningful insights.

Key focus areas to consider when modernising technology and processes:

- **Identify ways to move from manual processes to real-time automation**
- **Enhance data management capabilities and platforms**
- **Optimise the operational workflow with digital tools and experiences**
- **Accelerate insights through enhanced data and analytics**

III) Drive a disciplined approach to get it right for clients

As in many other aspects of the business, the world of Canadian fund administration is seeing an increased focus on digitalisation of processes and products in keeping with the themes of scale, risk mitigation, efficiency and cyber risk management. By digitising processes, an organisation can become more nimble, much the same way the smallest fintech can.

In order to achieve those results, you must have internally and externally strong program management, robust governance, and disciplined execution skills. Go deep and know the details. Fostering a sustainable risk culture and demonstrating powerful resiliency is a staple of success in the evolving technological landscape.

An organisation's risk culture includes the attitudes and behaviours enforced across the scope of the company relative to its risk appetite, and its ability to carry out its business activities while understanding and effectively accounting for risks inherent in those activities.

One of the most prominent and yet underrated risks in an organisation is cyber risk. Cybersecurity is the practice of protecting systems, networks, and programs from digital attacks.

As today's businesses get more digitised, it's imperative to have proper processes to protect the usability, reliability, integrity and safety of the network and data.

What cybersecurity questions should we be asking ourselves to instil trust in our cybersecurity measures?

- **What measures do we have in place to protect data? What policies?**
- **How do we secure the transmission of data?**
- **How do we keep employees informed and prepared of updated, cybersecurity procedures, and similar matters?**
- **What are our organisation's critical dependencies, technologies and systems?**

IV) Implement strong vendor management oversight

A good vendor management policy includes direction and guidance to ensure that outsourcing risks are identified and managed prudently, consistently – in compliance with laws and regulations, and addressing the key requirements in the selection, classification, performance measurement, purchasing standards, negotiation, and management of vendors. Documentation should hold vendors accountable to standards for performance with regular due diligence reviews and appropriate reporting requirements. For vendors whose services are deemed critical, including technology-related vendors, there should be additional controls and monitoring to provide further assurance that additional risks related to the vendors – for example, business continuity, cybersecurity, and risks related to the supply chain – are being managed properly.

When responding to risks related to internet-enabled services, an integral step is to appropriately review service providers. While this is an important component of vendor selection and onboarding, it is imperative to continue to review vendors throughout the duration of the relationship. There are multiple ways vendors can provide assurance that your data is protected: by having multiple redundant data centres, having in place detailed disaster recovery planning and by setting high standards for information security.

What vendor management questions should we be asking to build a robust vendor management infrastructure?

1. **What are our regulatory, board and policy requirements?**
2. **What are the expectations of stakeholders like clients, investors and pensioners?**
3. **How have we worked to meet our stakeholders' expectations that those vendors are prepared?**
4. **Cultivate a motivated, diverse workplace**

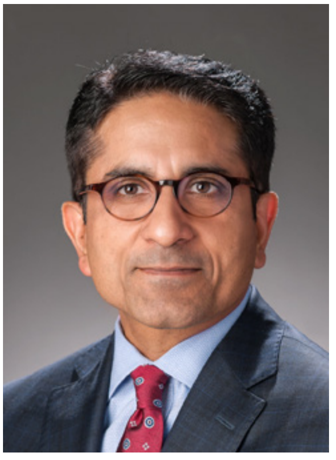
Canadian institutional investors know that a diverse workforce enhances the client and employee experience. Therefore, creating a meaningful, fulfilling and positive employee experience is as integral as powerful client experience. The secret to developing an empowered workforce that is accountable, highly-skilled, and client-focused goes back to ensuring that you have the right culture. While we're constantly evaluating its merits, employees across our Canadian and global enterprise are mindful that emerging technology is not a means to an end; it is a way to drive innovative solutions for clients. To be successful, start with people and look through their lenses. Take your best talent and make them a part of your most significant initiatives so they have ownership of the processes. It's important to create an environment where employees can connect, develop and engage in meaningful work in order to achieve success.

Conclusion

The digital age has certainly changed the way the world does business, and one key factor of change surrounds emerging new technologies. Technological innovation is bringing many benefits and opportunities. Yet there is also pressure from regulators to provide assurances that processes are in place to mitigate the effects of unexpected disruptions and threats on critical services.

In Canada and around the world, clients want to leverage data and analytics to improve investment and earnings outcomes. Finding efficiencies and reducing costs are significant factors, though clients are also looking for ways to improve their operating models that add value and are sustainable. In order to be client and employee centric, companies should invest in a leadership culture of empowerment, innovation and the pursuit of relevance.

Abdul Sheikh
Vice President, head of pension and custody services
CIBC Mellon



A market on the move

VP Bank's Eduard von Kymmel discusses consolidation in the ManCo sector and the growing ESG interest in Luxembourg

The dynamic Luxembourg fund centre continues to create excitement. In the market for investment fund management companies, known as ManCos, consolidation of providers has been observed over the past few years, in addition to the establishment of new companies.

On the one hand, this shows that Luxembourg continues to be an attractive destination for the establishment and ongoing operation of a ManCo. On the other hand, it shows that reaching a critical size or delegating activities to external service providers is essential.

Consolidation of the market

The number of alternative investment fund managed- and UCITS-compliant ManCos authorised and supervised by the Luxembourg Financial Supervisory Authority (Commission du Surveillance du Secteur Financier) (CSSF) is currently around 300 companies. It should be noted that in recent years, in addition to a number of new notifications, some ManCos have been removed from the CSSF ManCo list. Although the number of newly founded companies was higher than the number of deletions in 2018, there is still a movement in both directions.

One of the main motivations for the establishment of new ManCo companies since 2018 is likely to be the preparation of certain market participants for Brexit – despite the still uncertain entry date and possible forms. As a precautionary measure, many UK fund initiators have set up their own ManCo in Luxembourg as an alternative to their home base.

On the other hand, one of the main reasons for the numerous deletions from the CSSF ManCo list is still the critical size that a ManCo must manage as assets in order to meet the regulatory and operational requirements of clients and to build up the necessary substance.

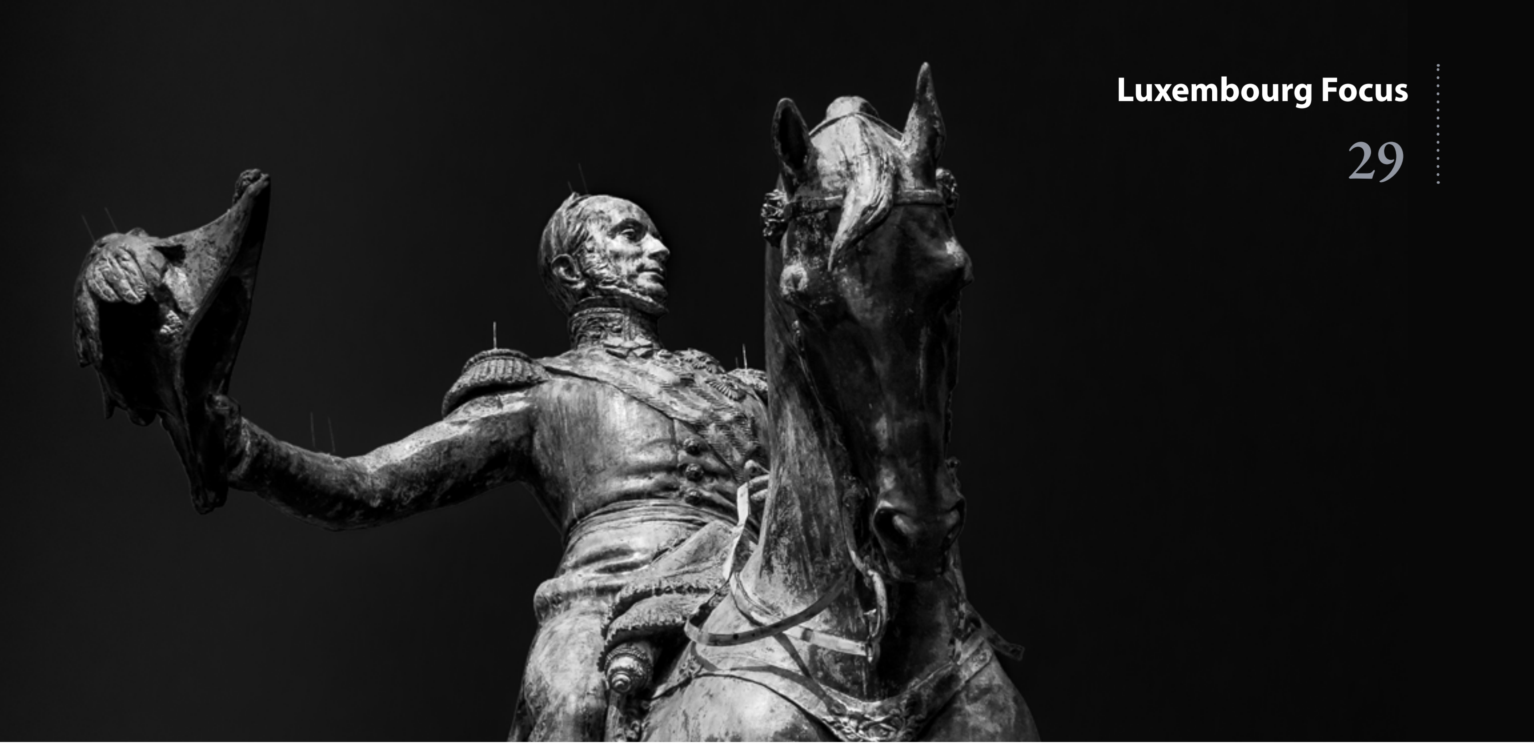
For example, more complex funds in the still growing 'alternative investment fund sector' such as private equity, real estate and infrastructure investment funds require qualified staff in the areas of risk management, valuation and asset management. In addition, the high regulatory requirements continue to increase the need for trained staff in the compliance and legal departments.

In addition to the net newly established companies of the last two years, this explains the further increase in the number of employees in the ManCos division. This increase of around 15 percent clearly shows that, in addition to the new companies, existing ManCos also had to significantly expand their substance: this is due to the establishment of new funds, but also to the improvement and expansion of their own substance and corporate governance.

Furthermore, fund initiators are increasingly demanding sophisticated services that ManCos have to meet.

Increased costs

Among other things, rising personnel and material costs meant that despite higher fund volumes to be managed, the net result of all ManCos fell due to the high investment costs. Around one-sixth of the ManCos



recorded an economic loss. As a consequence, some initiators of Man-Cos discontinue their activities and transfer this task to ManCos, which act as service providers and outsourcing partners – so-called Service ManCos.

The advantage: the fund initiators can not only focus on their core business - asset management and, if necessary, sales - but also transfer regular tasks and duties as well as liability risks to the ManCo service providers.

With regard to the deletions of ManCos, these are not only companies that have discontinued their activities, but often also those that have been taken over by other ManCos or merged with other companies.

This is particularly or almost exclusively true for ManCos services which offer their services to fund initiators.

Consolidation in the ManCo sector

Several years ago, a number of ManCos of German "Landesbanken" were already undergoing consolidation and – following the EU Commission decision – no longer maintained their ManCos in Luxembourg due to state aid and high-cost pressure.

This consolidation of German and other foreign and Luxembourg initiators continued into 2018 and into the current year. It can be observed that these companies are often taken over by companies held via private equity or by internationally oriented companies, especially those with an Anglo-Saxon background. This also affected some ManCos with initiators from the German-speaking area.

Due to these mergers and the associated increase in the volume of assets under management, these houses are reaching the critical size and, due to economies of scale, can bear the high fixed costs or offer their services at even more attractive fees.

Own experiences

Thus VP Fund Solutions, the investment fund subsidiary of VP Bank Group, was also commissioned as early as 2014 to manage the HSBC Trinkaus & Burkhardt Funds, and in 2018 by Carnegie Investment Bank to manage its funds in Luxembourg, as both of its parent companies had decided to no longer maintain their ManCos in Luxembourg, but nevertheless wanted to retain their Luxembourg investment funds for the international market. For the same reason, VP Fund Solutions in Liechtenstein has in recent years been commissioned by a major Swiss bank and an Italian insurance group in Liechtenstein to manage their investment funds as a Service ManCo.

Further measures to meet the pressure on margins, increasing regulatory challenges and client demands are located in the area of automation and digitalisation of work steps in the value chain of a ManCo, which also involves material costs and investments. Offshoring of ManCo tasks, which is not unusual for large global custodian banks and fund administrators, is not yet evident to such an extent in the ManCo market.

The ManCo market is therefore still in motion. It can be assumed that more fund initiators will monitor the critical size of their ManCo and take appropriate measures so that they can concentrate on their core competencies in a competitive environment.

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Growing interest in ESG

Environment, social and governance (ESG) is another driver of the market. This is an abbreviation that has shaped economic life for well over a decade. ESG expresses whether and how ecological and social aspects are taken into account in business practice. Many investors integrate ESG criteria into their corporate and securities analysis.

The market for sustainable investments is growing very dynamically. Two-thirds of these investments are invested in Europe. Investors are rightly losing their fear of SRI: the risk and return situation of these investments can be compared in principle with that of conventional investments.

Experts believe that the marked growth in sustainable investments since 2008 is due to the financial crisis of 2008/2009. The trigger for this crisis was a lack of responsibility, and as a result, many investors have adjusted their stock selection criteria and reallocated capital. The financial crisis, in particular, has shown how important it is to consider sustainable aspects when making investment decisions. At the level of the European Commission, too, a significant change can be observed in the area of ESG. One of the priorities of the new EU Commission President Ursula von der Leyen will be to transform the European Investment Bank (EIB) into a European climate bank to promote a climate-neutral economy.

Climate risks can thus affect the valuations and earnings of companies. Customers and investors alike are demanding solutions to how companies deal with these risks. The role of the financial markets is very important in this context.

Stakeholders from the fund industry, such as the Association of the Luxembourg Fund Industry, and politicians, such as Luxembourg's Minister of Finance Pierre Gramega, also agree that sustainable investment criteria, including ESG, will play an increasingly important role for investors and asset managers. In the investment process alone, the topic is rapidly gaining in importance.

KPMG in Luxembourg also sees enormous potential in its "European Responsible Investing Fund Survey", which was developed in cooperation with the ALFI association. In addition, ALFI chairwoman Corinne Lamesch suggests that asset management should take on greater social responsibility and that the industry and all parties involved should work together to achieve this goal.

A view from Europe confirms these trends. According to the American asset managers' association NICSA, sustainability has been the main topic in the investment process of US companies, asset managers and investors over the past year and a half. Similar developments among asset managers and a growing interest in sustainable investment products are also confirmed by the Hong Kong Investment Funds Association, the association of asset managers in Hong Kong.

The market in Luxembourg is expanding

Due to global developments and the increasing demand for new sustainable investment products, the volume of ESG-compliant funds in Luxembourg has grown considerably. As the number one fund domicile in Europe, Luxembourg covers 31 percent of all sustainable investment funds and 39 percent of the managed investment fund assets in Europe. At the same time, Luxembourg's fund assets, with a focus on products investing in infrastructure, sustainable projects, start-ups and small and medium-sized companies, have grown by 26 percent over the last three years.

The trend is therefore also towards specialists who are currently recording considerable growth in assets in the ESG sector and are gaining new clients. VP Fund Solutions possesses extensive expertise in this specialised segment, as a wide variety of ESG-compliant products have already been launched for numerous asset managers.

As a result, asset managers receive highly qualified advice and support with regard to the launch and life-cycle management of ESG-compliant products and can profit from the opportunities offered by this growing sustainable product category.

Eduard von Kymmel
Head of VP fund solutions
VP Bank Group

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**

IQ-EQ has expanded its Luxembourg senior team with the appointment of Bram Eijsbouts as its new head of business development.

The new appointment marks a newly created position, which IQ-EQ said reflects the increasing market opportunity identified in the sector, both in Luxembourg and more broadly across the global group.

In the new role, Eijsbouts will report directly to Fèmy Mouftaou, IQ-EQ Luxembourg's chief commercial director.

Eijsbouts brings with him 17 years of experience in the financial and corporate services sector, and his commercial experience includes senior roles with a global investor services group.

Most recently, Eijsbouts served as its commercial director and head of sales, where he was responsible for driving top-line growth and maximising the inflow of new clients across the corporate and funds segments.

Prior to this, he was business development director in Hong Kong and head of greater China outbound sales, where he was responsible for strategic client and business partner relationships as well as leading the commercial strategy for the region.

His career also includes several senior positions with a Dutch/Belgian financial business active globally in commercial and corporate banking and investment management, IQ-EQ noted.

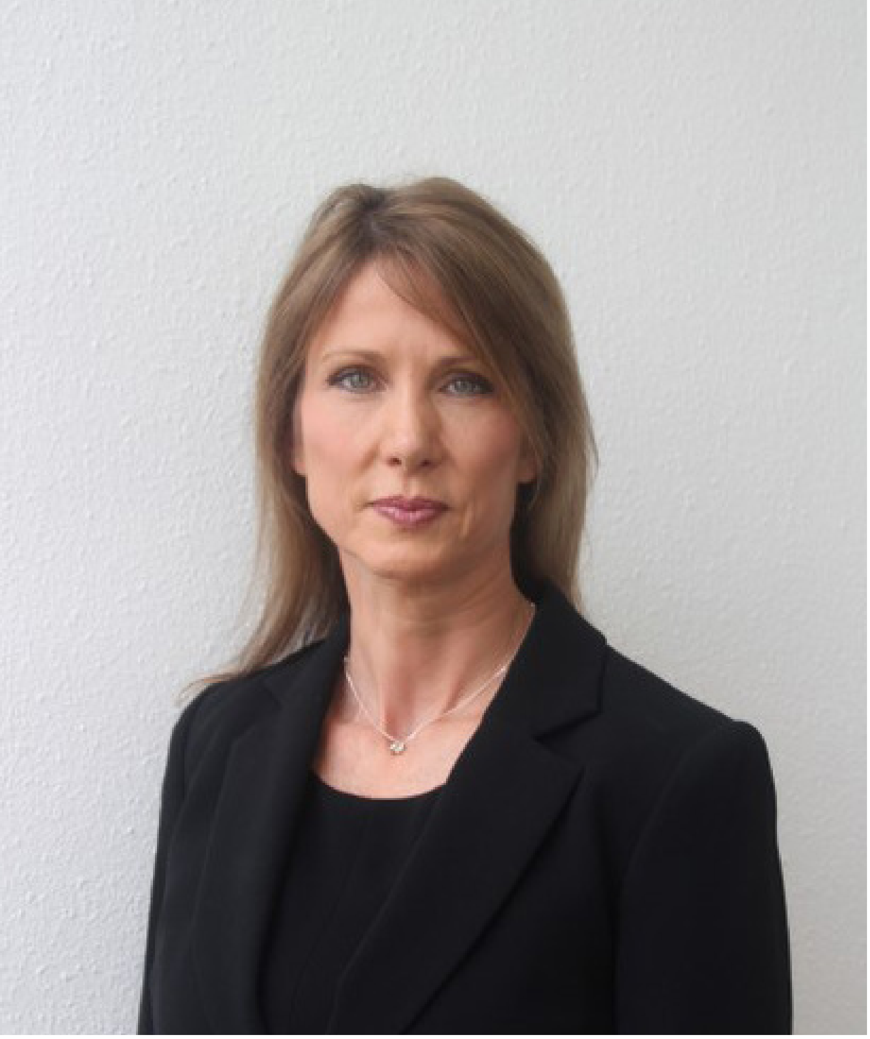
IQ-EQ also recently appointed a new London-based associate director of business development. Amidst the new appointments, IQ-EQ also very recently signed a deal with Microgen and Touchstone who recently completed their merger.

As the merger completes, IQ-EQ signed an agreement to extend their relationship to use the software across all its global offices.

Eijsbouts noted that he has been watching the rise of IQ-EQ recently and really liked the positive change he was seeing.

"Their dual focus of investing in people as well as developing innovative quality solutions for their strong global client base resonates with me personally and presents me with the perfect environment to put my extensive commercial experience into practice Luxembourg, a well regulated and growing financial centre, together with IQ-EQ's strong service offering and growth ambitions make this an extremely appealing proposition. I'm looking forward to playing my part in its future success."

Christian Heinen, managing director, Luxembourg, commented: "Following a series of key industry hires in 2019 I'm delighted to kick start 2020 with the announcement of further investment in the strength and depth of our sector expertise."



Standard Chartered has hired Tina Knights as chief operation officer (COO) of its securities services team, based in Singapore.

Knights, who joined the bank in January this year, previously worked for Bank of America Lynch.

At Bank of America Lynch, Knights led a multi-year transformation plan to drive innovation solutions across multi-functional teams, and leveraged emerging technologies to transform approaches to process re-engineering and operational support models.

Commenting on the appointment, Margaret Harwood-Jones, global head of securities services, said: “Operations is the backbone of the securities services business. As we set ourselves up for the next transformation journey to upgrade the way we work and align operations with product to deliver the best outcomes for our clients, I am thrilled that someone with the right skills and of such high calibre is joining the team at the right time to drive our success,” Harwood-Jones added.

Diginex, a digital asset financial services and advisory company, has appointed Jim Pollock as chief operating officer.

Based in Singapore, he will be responsible for overseeing the implementation of the company’s business strategy, which includes the development of fully regulated and institutional-grade digital asset infrastructure for the financial services sector. Pollock will report to Richard Byworth, CEO of Diginex.

Prior to his new role, Pollock worked at Westpac, one of Australia’s largest banks. He worked in the role of COO in several of its business lines over his 16-year career at the bank.

Commenting on Pollock’s appointment, Byworth said: “[Jim Pollock’s] contribution will be instrumental in driving the firm’s operational performance and in positioning the company to bring products to market efficiently and scale the business.”

The Citco Group has named Ryan Fitzgerald as head of middle office solutions.

The appointment is part of a strategic investment by Citco, aimed at providing differentiated, customised solutions based on proprietary technology innovation, to a wide range of clients, according to the group.

Fitzgerald joins from Hazeltree Fund Services, a specialist treasury management solutions provider to the buy-side.

Citco’s middle office solutions provide trade matching, confirmation and settlement, collateral management, three-way reconciliation, treasury and payments services to single manager funds, multi-asset portfolios, private equity funds, real estate funds, fund of funds, family offices, endowments, pensions and insurance companies. As part of its investment in middle office solutions, Citco will also be introducing a proprietary collateral management platform, as well as making enhancements to its existing Æxeo Treasury platform and further expanding its suite of services.

Jay Peller, head of fund services, said: "Ryan Fitzgerald's appointment to lead this growing business is at the heart of our efforts to make our clients' lives easier; his extensive treasury and collateral management experience will help us to continue to develop the right solutions that meet our clients' changing needs."

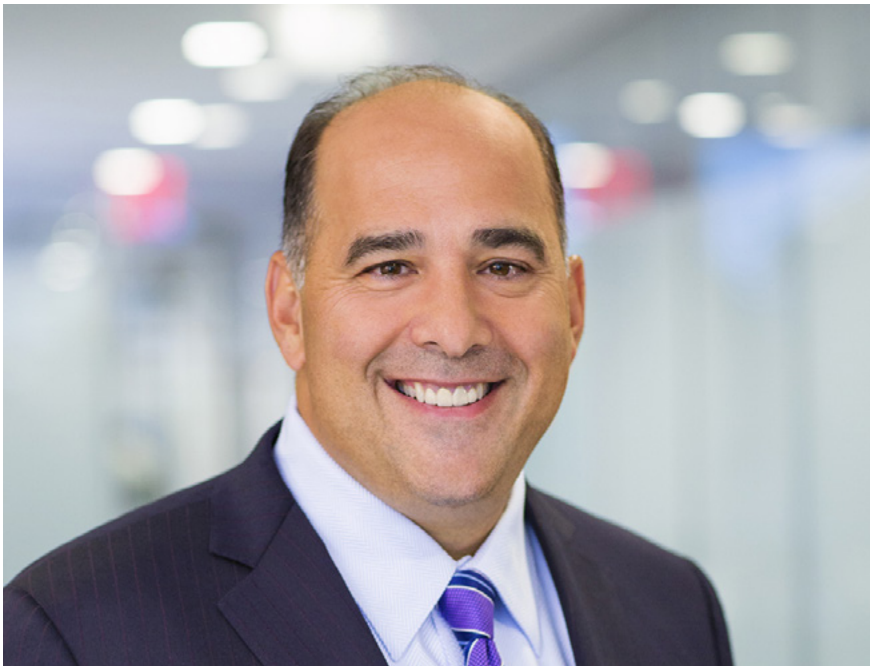
Selvie Shaqiri has been appointed as managing director for Asia Pacific at Goal Group.

Based in Melbourne, Shaqiri will report to CEO of Goal Group Stephen Everard, who is based in London. Shaqiri will focus on growing the investor services business in the APAC region and providing tailored solutions to meet specified investor needs and demands.

She joins from Broadridge Financial Solutions, where she worked as sales director for the investor communications solutions international division.

Kneip has appointed Calum Muskett as its chief commercial officer (CCO), based in London.

In his new job at Kneip, Muskett will lead the company's commercial engagement, and will



Broadridge's board of directors has appointed Chris Perry as president of Broadridge financial solutions, effective 2 March.

Currently, Perry leads Broadridge's global sales, marketing and client solutions organisation.

As part of his new role, Perry will expand his current responsibilities to take a 'stronger role leading Broadridge's top clients and partners, overseeing Broadridge International, and coordinating Broadridge's overall growth strategy'. He assumes the title of president from Broadridge's CEO Tim Gokey, who remains CEO and a director of the company.

Perry has more than 25 years of experience in banking, brokerage and financial information services. He joined Broadridge in 2014 and oversees all client and market-facing activities globally and is responsible for delivering the company's annual sales targets spanning all business units and product lines.

Prior to Broadridge, Perry held leadership roles at Thomson Reuters, and its predecessor, Thomson Financial.

At Thomas Reuters, Perry served as global managing director of risk for the financial and risk division, where he was responsible for overseeing governance, risk and compliance, as well as pricing and reference services.

Previously, he also worked as president of global sales and account management of the financial and risk division.

Commenting on the appointment, Perry said: "I am excited to work more closely with Tim Gokey and across the organisation, bringing to market world-class solutions that support our clients' growth and associates' development, while driving the innovation roadmap through Broadridge's ABCDs of Innovation."

particularly focus on sales, commercial and marketing activities on a global scale.

Muskett joins from ICIS, a RELX plc company, where he delivered 'considerable' revenue and profit growth, and built 'valuable' commercial partnerships and creating new channel strategies.

Prior to this, he worked with various leading financial business intelligence and information providers, including Morningstar, FactSet and Reuters.

Commenting on his appointment, Muskett said: "I'm very excited to be joining the Kneip team. The company has a fantastic reputation as the leader in fund data management working with some of the world's largest financial institutions."

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JTC has appointed Greg Kok (pictured left) as head of group JTC Management Company (ManCo) Services as the firm looks to continue to grow and develop its global ManCo and alternative investment management (AIFM) proposition.

Based in Luxembourg, Kok will oversee the delivery, growth and evolution of JTC's global ManCo platform.

Additionally, Kok will add to the technical resources for real estate, private equity and UCITS fund manager clients.

He has extensive experience of running AIFM businesses, most recently in his role as global head of AIFM for the Maitland group and previously as executive head of alternatives for FundRock management company.

Kok also has experience in managing private equity and real estate transactions and considerable cross-border expertise having worked across multiple markets in Asia, UK, Europe and Africa with additional exposure to the US and offshore jurisdictions.

Joost Mees (pictured right), managing director, JTC Luxembourg, commented: "The fund management landscape in Europe has altered significantly in recent years, with managers needing real optionality in terms of their operating models and structures to meet investor demands."

Mees continued: "With that in mind, we have seen considerable and mounting interest in our ManCo platforms in Luxembourg and Guernsey as managers have sought cost-effective, flexible and AIFMD-compliant outsourced solutions for both EU and non-EU funds."

"In a post-Brexit environment, we see real scope for our ManCo platform to grow and evolve even further, and Greg, with his unparalleled experience of working with cross-border AIFM and ManCo solutions, will be pivotal in driving that forward," Mees added.

JTC has had a ManCo platform in Luxembourg since 2016 and in Guernsey since 2017, providing fund managers with a broad range of services, including portfolio management, risk management, compliance, and regulatory reporting.