asset servicing times

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Stop, consolidate and listen

A rise in digitisation combined with consolidation are some of the ways custodians are looking to increase efficiency

Cappitech discusses the FCA's continued focus on MiFID II transaction reporting

Technology opportunities in the fund services industry

SWIFT engages new strategy for instant payments and securities processing

SWIFT has revealed that over the next two years and beyond it will fundamentally transform payments and securities processing, retooling cross-border infrastructure as part of a new strategy.

The strategy has been approved by its board and is set to enable the world's financial institutions to deliver instant and frictionless end-to-end transactions.

The cooperative will expand beyond financial messaging to provide comprehensive transaction management services.

The new approach will support and accelerate innovation, paving the way for financial institutions to create new value-added services to support their business growth.

Additionally, the enhanced platform will orchestrate interactions between financial institutions and other participants to minimise friction, optimise speed and provide end-to-end transparency and predictability from one account to another anywhere in the world.

SWIFT explained the digital platform will use application programming interface and cloud technology to provide a set of common processing services that banks have historically invested in individually, saving the industry time and money. Meanwhile, new and extensive data capabilities will enable the pre-validation of essential data, fraud detection, data analytics, transaction tracking and exception case management.

Javier Pérez-Tasso, CEO of SWIFT, said: "We are innovating the underlying infrastructure that financial institutions use to make transactions run even faster end-to-end, and at the same time further reducing costs for the community through industry-shared services in the areas of cyber, fraud and compliance."

He added: "We will introduce data innovation that embeds risk and control elements expected from SWIFT, creating peace of mind for business-critical operations. Combining these elements, we are creating a broad platform with faster technology and smarter and better services that the industry can trust as a foundation for innovation towards their own end-clients."

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: Maria Ward-Brennan
mariawardbrennan@blackknightmedialtd.com

Contributor: Rebecca Delaney
rebeccadelaney@blackknightmedialtd.com

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

Associate Publisher: John Savage
johnsavage@assetservicingtimes.com
+44 (0) 208 075 0931

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

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BOV FUND SERVICES

+356 2122 7148
www.bovfundservices.com
infobovfs@bov.com

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Phoenix American and AIX team up to deliver STP for alternative investments

Phoenix American, a transfer agent and fund administration provider, and the Alternative Investment Exchange (AIX) have formed an integration partnership that will enable investors to purchase alternative investment products digitally.

The partnership will allow investors to use the AIX platform resulting in a complete and active investment record in the Phoenix American transfer agent system, STAR-XMS, with no manual intervention.

The first client of the new partnership is ARCTrust Properties, sponsor of ARCTRUST, ARCTRUST III and Capitol Opportunity Zone Fund, programmes specialising in investments made through protected appreciation vehicles for real estate (PAVRs).

Phoenix American and AIX suggested that authentic data connectivity is where both firms see potential to grow the alternatives industry and create transformational change.

Andrew Constantin, senior vice president, operations for Phoenix American, said: "Phoenix American has long been a supporter of technological advancements that reduce costs for sponsors and improve investor and rep adoption of alternative investments."

Constantin added: "Our mission is to identify ways to reduce operational frictions while remaining agnostic."

"Leveraging the AIX platform is an important step for Phoenix American as we continue to embrace advancements in technology that push the industry forward."

Brad West, COO of AIX, said: "We're working hard to improve the way business is done and grow the overall industry. Partnering with Phoenix American is a critical step toward that goal."

"We wanted to confront the objections and address the friction points that have rate-limited growth in this industry. We have committed ourselves to building the plumbing that will connect and benefit the entire industry, creating meaningful change and positive outcomes for each stakeholder we serve."

Citi upgrades data service platform for securities services clients

Citi has updated its securities services data services platform including the introduction of an integrated reporting tool, an expansion of the universe of available information, and upgraded its open application programming interface (API) functionality. The data services platform, Citi Velocity Clarity, facilitates comprehensive data integration and consumption to help clients gain insight, improve operational efficiency, and reduce infrastructure costs.

The enhancements to Citi Velocity Clarity include a new integrated reporting tool that enables clients to overlay their own data.

Data from middle office trade processing, exchange traded funds, and custody billing information has been integrated into Citi's private cloud.

It was explained that Citi's open API developer-orientated tool has been enhanced with real-time push notifications that facilitates seamless data delivery and removes the need for clients to poll for updates.

LSEG and Euronext enter exclusive talks on Borsa Italiana purchase

Euronext, the pan-European market infrastructure group, has beaten its competitors to enter exclusive talks with the London Stock Exchange Group (LSEG) to acquire Borsa Italiana.

To secure the G7 country's only exchange, Euronext has partnered with CDP Equity, a sovereign wealth fund formerly known as Fondo Strategico Italiano, and Intesa Sanpaolo, an Italian banking group,

Euronext said its combination with Borsa Italiana would create a key market player in continental European capital markets, where Italy would be the largest revenue contributor to the enlarged Euronext group.

If a deal is reached, CDP Equity and Intesa Sanpaolo would join the existing group of Euronext's long-term reference shareholders.

Borsa Italiana would maintain its current functions, structure and relationships within the Italian ecosystem and preserve its Italian identity and strengths, Euronext confirmed.

The Italian CEO of Borsa Italiana would join the managing board of Euronext.

Key businesses and central functions of the new group would be based in Milan and Rome. In particular, MTS, which operates interdealer, dealer-to-client and repo markets, would become the group's European centre of excellence for fixed income trading.

Cassa di Compensazione e Garanzia would be the clearinghouse within the combined entity and would become a key pillar of the enlarged Euronext's post-trade strategy.

In addition, Monte Titoli the Italian Central Securities Depository (CSD), offering issuance, settlement and custody services would become the largest CSD within the Euronext group, becoming a key contributor to Euronext's CSDs ambition.

To secure rights to exclusive talks with LSEG for the Italian exchange, Euronext and its partners had to ward off counter-offers by others including Deutsche Boerse on 4 September.

A spokesperson for the German exchange said: "As a global company and leading stock exchange in Europe, we could have created substantial value for Borsa Italiana through future growth and expansion of the Italian and European capital markets."

"Deutsche Boerse's offer focused on strategic synergies and a high degree of autonomy for the Italian stock exchange, rather than the involvement of Italian partners on Deutsche Boerse Group level."

The bid of Borsa Italiana comes as part of Euronext's ambitious growth strategy to form a community of European exchanges and financial infrastructures under its roof, which also led to the acquisition of VP Securities, the Danish central securities depository, earlier this year.

Euronext was able to ink a deal for the Dublin stock exchange in 2018 and attempted to also acquire Spain's Bolsas y Mercados Espanoles a year later but lost out to SIX.

However, as a G7 exchange, Borsa Italiana represents the biggest prize for Euronext in recent years and a vital piece of the puzzle for Euronext's plans for the future.

In addition, to further improve efficiency, new search functionality uses natural language processing to provide instantaneous answers for client queries.

Fiona Horsewill, custody and funds services head of digital and data at Citi, said: "These latest updates will help our clients further increase their efficiency by allowing them to spend more time on data analysis and less time on data maintenance and assimilation."

European Depositary Bank receives full depository FCA approval

The London branch of the European Depositary Bank (EBD), a subsidiary of Apex, has received approval from the Financial Conduct Authority (FCA) to provide full depositary activities in the UK.

The authorisation of EDB's London branch is in addition to the group's existing depositary and custody services delivered in Luxembourg, the Channel Islands and follows approvals from the regulators of Malta and Ireland, which the firm secured last year.

Meanwhile, the services provided by EDB under this additional license will complement Apex's existing depositary services in the UK.

The approval will enable Apex to continue expanding the provision of cross-jurisdictional depositary and a market-leading custody solution to asset managers.

Through EDB, Apex offers independent banking, depositary and custody services to institutional investors and asset managers for UCITS and alternative investment structures.

BNP Paribas and Digital Asset to partner on DLT trade and settlement apps

BNP Paribas Securities Services has partnered with Digital Asset to design a number of real-time trade and settlement apps using digital asset modelling language (DAML) smart contracts.

The new apps will provide market participants in Asia Pacific (APAC) with real-time access to the Australian Securities Exchange (ASX) and Hong Kong Exchange (HKEX)'s anticipated distributed ledger technology (DLT)-based trading and settlement platforms. Additionally, the apps will be available to clients in markets that have not integrated DLT, bringing them the benefit of real-time workflows.

The first solution, due in 2021, is a smart elections service for corporate actions. All parties in the corporate action chain will receive corporate action information such as dividend reinvestment or purchase offer decisions at the same time. The new solution is set to reduce processing time, improve operational efficiency and enable investors to finalise their decisions on the most current information on market factors.

BNP Paribas will connect to the ASX CHESS+ platform and the anticipated HKEX Synapse solution via the new ledger application programming interface for real-time information flows.

In Australia, BNP Paribas will take a segregated node in the ASX CHESS+ distributed ledger, enabling the bank to offer its clients the full benefits of smart contract technology, including real-time information, rapid innovation and workflow automation from issuer to investor.

Luc Renard, head of financial intermediaries client line and digital transformation APAC for BNP Paribas Securities Services, said: "We are excited to lay the foundations of our direct connectivity to the ASX's next-generation solution and the future phase of HKEX's platform with our first DAML-based solutions. We believe that DAML has the potential to emerge as a new standard for international capital markets."

Jon Rout, business development director APAC for Digital Asset, added: "Our work with BNP Paribas has the potential to change the way organisations design their post-trade and custodial functions – increasing the scope for innovation and reducing risk."

David Rhydderch, global head of financial solutions, commented: "We have identified custody and depositary services as a key area for growth for the business as we continue to see strong demand for our services as market participants recognise the value of working with an independent organisation with the flexibility to scale as required by the complexity of funds and regulatory requirements."

State Street: firms 'unprepared' for UMR compliance

A large number (81 percent) of asset management firms are unprepared to comply with the Uncleared Margin Rules (UMR) despite deadline extensions to September 2021 and September 2022, according to a new survey by State Street.

Preparedness was measured by the perceptions, plans and readiness of 300 asset managers and allocators in 16 countries.

Of those surveyed, 86 percent of respondents were preparing for either a phase V (September 2021) or phase VI (September 2022) deadline, as many more buy-side firms are set to be included in the scope of UMR in the next two years.

Only 19 percent of firms in the preparation stage cited they were fully prepared for compliance, with 39 percent only just beginning preparations in a few areas.

Almost 80 percent of firms stated they are struggling to agree on an approach on how to settle segregated collateral with counterparties. Those who had agreed generally chose third-party custody with account control agreements.

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Anglian Water picks Bottomline platform for payments and cash management

Anglian Water has selected Bottomline's payments and cash management solution to automate and streamline processes.

As a supplier of water and water recycling services, Anglian Water selected Bottomline to drive its digital transformation strategy for the treasury department to improve efficiency and cash visibility.

The Bottomline payments and cash management solution comprises a centralised and standardised software-as-a-service platform which has the ability to process any payment type and monitor transactions, bank balances, cash and liquidity information in real-time.

The platform utilises aggregated data from multiple sources, automated flows and head of payments personnel across the global industry.

Jane Pilcher, group treasurer for Anglian Water, commented: "Real-time cash reporting and visibility is essential for us."

"Achieving this across disparate internal systems and multiple e-banking platforms can be a challenge for many treasury teams in large corporates. Often the lack of connectivity between these systems results in time-consuming data extraction and the compilation from several sources."

Nigel Savory, managing director of Europe at Bottomline, added: "Our technology gives our customers real-time visibility of their global cash position, helping them save time, money and effort. We are delighted that Anglian Water chose Bottomline as a partner in their treasury transformation journey."

Many firms are currently using mitigation strategies and third-party involvement to address the burden of UMR compliance, with a combination of in-house capabilities and outsourced third-party operational expertise.

Nadine Chakar, head of global markets at State Street, commented: "UMR signifies a major change in the industry that aims to bring greater stability and transparency to the over-the-counter derivatives market."

"As we approach the deadline for the next phase, it is critical for buy-side firms of all sizes to be aware of the pending requirements and to not only effectively manage, but optimise, their liquidity and collateral needs with the right solutions and technology in place," Chakar added.

Gino Timperio, head of funding and collateral transformation at State Street, continued: "The key to any regulatory compliance is to look at all the requirements and objectives holistically."

"Recent market volatility underscores the need to consider collateral, funding and liquidity at a firm-wide level, and buy-side firms should adopt a strategic approach to UMR compliance, with the right external support to manage some or all components of the process."

UMR was originally introduced in 2008 to reform the over-the-counter derivatives market following the global financial crisis.

SGSS extends securities custody and issuer services to Cameroon

Societe Generale Securities Services (SGSS) has extended its securities custody and issuer services offer in Africa with the support of Societe Generale Cameroon.

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The new securities services platform will allow the bank to strengthen its activities aimed at a local and international client base of institutional investors and to develop its offering on Central African Economic and Monetary Community (CAEMC) markets.

The expansion of these services to Cameroon further enhances SGSS' footprint in Africa, as it already provides its services in Morocco, in Tunisia and in the West African Economic and Monetary Union.

Societe Generale Cameroon has been present in the country for 50 years and also offer various financial services within CAEMC.

J.P. Morgan and BlackRock automate account opening for securities services

J.P. Morgan and BlackRock have adopted fintech company Saphyre's platform to digitise the account opening workflow, eliminate manual processes, improve scalability and enable buy-side clients to be ready to trade more quickly. Saphyre provides BlackRock and other buy-side firms with an efficient process for opening accounts with custodians and broker-dealers.

The fintech's platform allows for seamless communication between clients, custodians and broker dealers with real-time capabilities that display the status and next steps, action ownership, which provides a transparent audit trail.

Naveen TV, managing director, J.P. Morgan's Securities Services, said that J.P. Morgan was an early adopter of Saphyre and is now live in production after successfully testing its value proposition for over six months.

TV explained that Saphyre's technology with J.P. Morgan's operating model and workflow tools has allowed it to "drive industry change that positions ourselves and our clients for the future".

Liliane Ancona, managing director, BlackRock, commented: "With powerful workflow features and enhanced visibility into the account opening lifecycle, Saphyre has enabled BlackRock to eliminate manual processes to support the account opening workflow across custodians and broker-dealers."

Gabino Roche, CEO, Saphyre, added: "The combined industry expertise provided by J.P. Morgan and BlackRock has helped Saphyre leverage its patented technology to unlock a new paradigm for account opening, taking a historically manual process and digitising it for the benefit of buy-side firms, custodians and broker-dealers."

"The net result is that buy-side clients can be ready to trade more quickly and eliminate manual processes that lead to operational cost and inefficiency."

KGAL outsources fund administration to CACEIS

KGAL Group, an independent investment and asset manager, has outsourced its fund administration to CACEIS, the asset servicing banking group of Crédit Agricole and Santander. As part of the deal, CACEIS Fonds Service has taken over the fund accounting for 16 closed-end special funds from KGAL.

The funds represent €3.6 billion in assets under administration. Both parties have also completed the transfer of the associated team from KGAL, based in Gruenwald near Munich, to CACEIS in Munich.

Starting in Q2 2020, CACEIS will provide bookkeeping including the calculation of net asset values (NAVs), financial balancing, regulatory reporting as well as the production of quarterly and annual financial statements.

Since 2014, CACEIS noted that it has been KGAL's preferred provider of depositary services.

HSBC to provide custody and fund admin for first ETF under Singapore VCC scheme

CSOP Asset Management has selected HSBC to provide custody and fund administration services for its first exchange-traded funds (ETF) under the authorised Variable Capital Company (VCC) scheme in Singapore. The ETF, CSOP INVESTMENTS VCC - ICBC CSOP FTSE Chinese Government Bond Index ETF, became available on 21 September after getting the approval from the Monetary Authority of Singapore (MAS).

Launched in January by MAS, the VCC is a new corporate structure for investment funds that offers flexibility and cost savings to global asset managers seeking to establish new funds or re-domicile their overseas funds in Singapore.

According to HSBC, the framework covers all traditional and alternative strategies with either open-ended or closed-ended funds.

Gavin Powell, head of global markets, HSBC Singapore, said: "We are delighted to partner with CSOP and provide our leading securities services offering for the first ETF under the authorised VCC in the country."

Powell added: "New fund structures like VCC now available in Asia Pacific are putting the spotlight on the region as a viable international investment hub. This strengthens our commitment to the development of the region's fund management industry."

Ding Chen, CEO of CSOP Asset Management, commented: "As the first Chinese offshore asset manager to issue an ETF in Singapore, we are proud to introduce the ICBC CSOP FTSE Chinese Government Bond Index ETF under VCC structure to global investors. We appreciate the continuous support from HSBC all the way from Hong Kong to Singapore. Their professional custodian service has enabled us to bring more exciting products to global investors."

Earlier this year, BNP Paribas Securities Services was appointed by CSOP to provide fund administration services for funds using Singapore's new VCC structure. More recently, Sudrania Fund Services opened an office in Singapore to market its end-to-end cloud-based fund administration platform following the recent enactment of the VCC fund structure legislation.

Thomas Schröer, chief financial officer of KGAL, explained: "We very much appreciate the long-standing and successful partnership with CACEIS as our depositary. Now, we will take it one step further using CACEIS` fund administration platform that offers a wide range of services."

Andreas Pade, managing director of CACEIS Fonds Service, said: "We are delighted that KGAL has shown this trust in CACEIS. Our objective was a secure and smooth technical migration — we have fully achieved this. At the same time, we started to make every effort to properly integrate our new colleagues when they move to CACEIS. We can offer them a versatile working environment with extensive career development prospects."

Northern Trust unveils new insurance accounting and analytics app

Northern Trust has launched its new cloud-based reporting application which further enhances its insurance investment accounting and analytics services solution.

The solution was developed to support investment portfolio reporting and management needs for US insurance companies.

The new platform incorporates Northern Trust's interactive digital interface as well as SAP Financial Asset Management System data to provide an end-to-end solution covering all asset classes.

The cloud-based interface automates and streamlines insurance accounting and reporting processes, allowing for self-service and on-demand analysis of information.

Smith & Williamson selects Broadridge's SRD II solution

Broadridge is set to provide Smith & Williamson Group, a financial and professional services firm in the UK and Ireland, with its Shareholder Rights Directive (SRD II) solution for proxy voting.

Smith & Williamson will use the Broadridge solution to support its discretionary and non-discretionary execution clients, spanning both institutional and retail investors.

The solutions will be used to meet responsibilities under SRD II including the distribution of meeting agendas within stricter timeframes, reconciling votes on a daily basis and processing votes "without delay".

Additionally, it will handle all aspects of vote confirmation, including timely electronic confirmation back to shareholders.

SRD II, which went live on 3 September, is global in its scope, insofar as it impacts any financial intermediary that holds or services European equities, irrespective of where the firm is located. It applies to all types of financial intermediaries, including banks and brokers, wealth managers and central securities depositories (CSDs). Nick Murphy, partner at Smith & Williamson Investment Management LLP, said: "We take our regulatory obligations extremely seriously and it is important to us, and to our clients, that we are well-prepared for a smooth transition that mitigates compliance risk and delivers the combined benefits of greater process efficiency and higher governance standards."

Demi Derem, general manager of Broadridge's international investor communication solutions, added: "We are delighted to continue to work with Smith & Williamson to meet its shareholder communications needs. Smith & Williamson was one of the first brokers to recognise the implications of SRD II to its business and also understood why being ready for SRD II compliance would be so important to its clients."

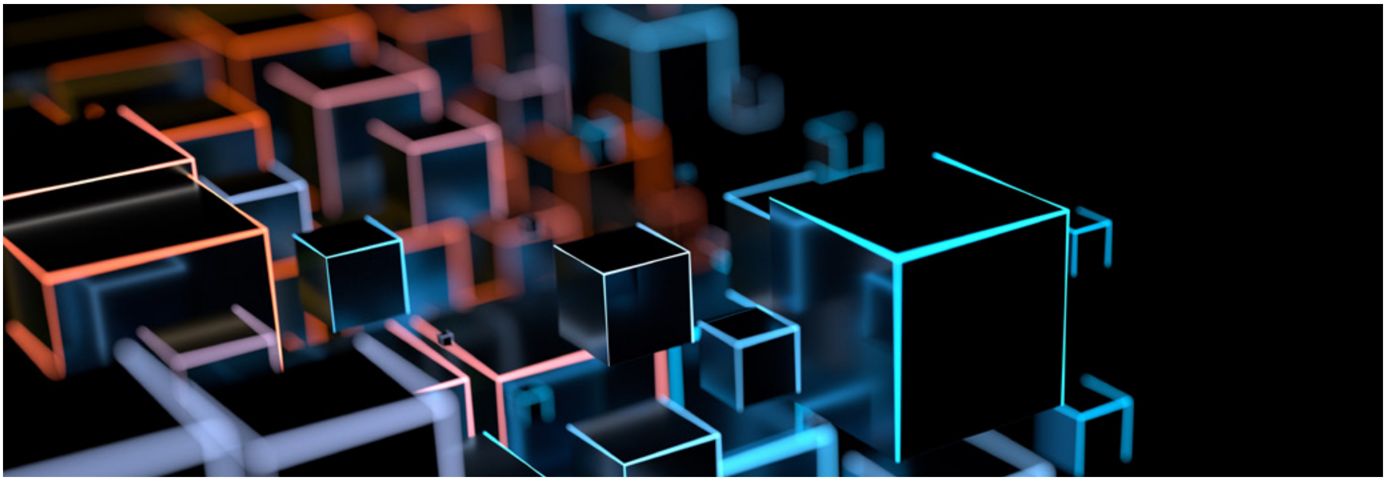
In a recent interview with Derem, he stated that the industry is "ready to varying degrees" for SRD II. In July, Broadridge said it had experienced a record number of new signings for its multi-industry SRD II solution.

Users can interact with their portfolio data through visual dashboards with direct access to underlying securities data.

Dan Houlihan, head of asset servicing, Americas at Northern Trust, said: "Our cloud-based solution is designed to meet the rapidly evolving needs of insurance companies with complex investment portfolios, including large allocations to private equity and private debt markets, alongside the demands of tax and regulatory reporting for those investments."

Chris Dvorak, head of insurance solutions at Northern Trust, commented: "While much of the insurance industry's investment accounting operations run on legacy systems, technology has advanced to enable one back-office platform that covers all financial products."

"When all data lives in one system, insurers no longer need to manually enter data or merge separate datasets. Cloud-based interfaces like ours allow our clients to view higher-quality data and perform trend analysis across reporting periods," Dvorak added.



Servicing the demand

Maddie Saghir reports

The attractive pull of technology promises countless opportunities, but with ever-changing technology, how is the fund services industry working to keep up to speed?

Technology is transforming the way the industry works. In the fund services sector it has allowed participants to be more agile and provided various opportunities for companies to exploit.

Looking at fund services, trends are focused around technology transformation across three areas.

The first is digitising the customer experience, which has typically lagged behind many other industries.

However, Sern Tham, product director, Temenos Multifonds, explains that asset managers expect seamless real-time interaction with their service providers, which is an area many fund servicers are investing in as a point of differentiation.

The second trend in technology in this space is cloud.

Tham outlines that a couple of years ago, many in the industry were cautious about cloud, but notes that attitudes have changed quickly.

He suggests that like many other industries, fund servicers need and want their core platforms delivered and accessed on the cloud, and increasingly via a full software-as-a-service (SaaS) model.

"We're likely to see more firms move off-premise to a big public cloud provider like Amazon Web Services, Google or Microsoft Azure. These major public cloud providers' offerings have evolved a great deal and the benefits in terms of cost efficiency, enhanced capability and security are difficult to ignore," Tham says.

The third major trend is operational efficiency. Tham explains that a decade-long trend of failing fees and the resultant margin pressure "shows no sign of abating, especially given recent events".

Fund servicers are continuing to deploy new technologies, such as robotic process automation (RPA) and artificial intelligence (AI) to seek out further efficiencies. Indeed, the exciting technologies like RPA, AI and machine learning have lots of potential use cases and can help to achieve further efficiencies within fund servicing, but industry experts suggest

images by robert _kneschke/adobe.stock.com that the challenges lie in speed to market and uptake is somewhat "slow and steady".

Technological impacts

While technology is certainly impacting this space, the underlying systems that fund servicers use to provide the fundamental valuation, accounting and transfer agency services are not largely changing, hence the technology changes are predominately evolutionary, according to experts.

However, Patric Foley-Brickley, fund services, Maitland, explains there is no doubt that new technologies are slowly being incorporated into the core to enable fund administrators to provide service enhancements and to support the increased need for up to date and accurate information across the investment spectrum.

Meanwhile, administrators strive for constant and continuous improvement, looking to do things better, more accurately and more quickly, but Foley-Brickley highlights this is definitely an evolutionary rather than revolutionary process.

He explains: "There will always come a time where the system you are using reaches the end of its usable life and with this the opportunity to upgrade to the latest technology."

However, in reality, it is often the case that there are only a handful of systems available that provide the breadth of functionality and the tried and tested systems environment that administrators would be prepared to rely on in terms of achieving enhanced usability within acceptable risk parameters.

Foley-Brickley says: "The choice of underlying system, be it for fund accounting, transfer agency or investment operations presents an existential risk for the administrator and also presents significant challenges in terms of both time and investment. It is very difficult for a new provider to come into this 'tried and tested' environment and to persuade administrators to take a risk on something new or different, irrespective of the technological edge it may provide."

Also looking at the impact, Tham highlights: "I have no doubt that technology is transforming the industry and the future winners will be the first across the line, thanks to technology."

The choice of underlying system, be it for fund accounting, transfer agency or investment operations presents an existential risk for the administrator and also presents significant challenges in terms of both time and investment

An issue with a large amount of artificial intelligence models is that they're essentially black boxes, according to Tham.

He explains: "That is to say, the model produces a result, but how it arrived at that result is not always transparent. This can be a big problem for customers and regulators because it lacks auditability and could potentially lead to hidden bias."

Opportunities and challenges

Accessibility, security, efficiency, flexibility and transparency are just some of the opportunities technology can provide. Data has also been referred to as the new gold in many industries, and the potential of harnessing correct data is continuing to flourish and provide an abundance of opportunities.

Mark Weir, regional head of fund services, Americas, Maples Group, says superior information delivery systems and the ability to make data useful are "critical to a manager's success in today's environment".

Weir suggests that the biggest opportunities lie in the data the fund services provider holds.

> *Seamless and secure accessibility of information by internal and external stakeholders has accelerated the use and deployment of AI tools in the industry*

"There is a great deal of data that is captured, reconciled and verified. Fund administrators should be able to customise data outputs to provide meaningful, intuitive and contextualised information for managers and their investors", he adds.

The approach to technology in this space, however, can be somewhat flawed. Christina McCarthy, regional head of fund services, Europe, Maples Group, explains that while technology can and should provide automation and efficiencies, "it is critical for it to be tailored to the specific needs of clients to provide optimal value and effective integration with their processes".

When it comes to outsourcing technology, McCarthy suggests it is imperative to work with a service provider that will be a true partner and understands not only the unique needs of the funds it supports, but also has an unmatched view into industry best practices.

She says: "Closed-box solutions that clients must bend to will not drive results. Rather, technology should be flexible and should enable solutions for the clients' precise requirements. Service providers should develop a truly robust yet customisable platform that utilises best-of-breed vendor solutions where appropriate but also leverages an in-house technology team that has the capabilities to understand and develop client-specific and market segment-specific solutions."

Weighing in on this, Srikumar T.E., global head of fund solutions, Apex, highlights that now, more than ever before, technology will demonstrate the robustness and the survival of any financial services outfit.

The technology architecture must not only sustain the new working conditions but T.E. says it also needs to ensure higher levels security especially as information is accessed across a wider network.

He comments: "Seamless and secure accessibility of information by internal and external stakeholders has accelerated the use and deployment of AI tools in the industry."

Some in the industry have suggested there is a technology arms race happening in the industry at the moment which is leading to a lot of consolidation.

10 years ago firms might have competed against six or seven different vendors for an opportunity, now it's only one or two.

Tham emphasises that it requires a big investment in research and development to prevent software from quickly becoming legacy.

Consolidation is not limited to technology vendors; fund administrators have acquired competitors to gain a scale advantage. Fund administrators have also acquired technology companies to bolster their technology capabilities and service offerings, most notably State Street buying Charles River. Tham comments: "Interestingly, we're even seeing technology companies competing directly with fund administrators to provide outsourced services to asset managers."

More often than not, technology is used as a way to service a demand, which can present opportunities, according to Foley-Brickley. He explains that providers are now asked all the time about their digital strategy.

"Choosing the right technology and the right strategy is a difficult problem to solve. Providers will use client feedback and client demand to dictate the majority of their investment spend. But some of the larger providers are making substantial investments in technologies that may or may not change the way in which the industry provides its services. Whether this more uncertain investment pays off only time will tell", he concludes.

Stop, consolidate and listen

As custodians are adapting to a new way of working, industry experts from CACEIS, Capco, SEB and Raiffeisen Bank International explain that an overall rise in the digitisation of the industry combined with consolidation are some of the main ways custodians are looking to increase efficiency

Daniel Pascaud, global head of operations, banking and custody solutions, CACEIS

David Turmaine, executive director, Capco

Jesper Linden, co-head sub-custody and cash, SEB

Ulf Noren, sales and relationship manager sub custody, SEB

Harald Kreuzmair, managing director, head of global investor services, Raiffeisen Bank International

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How has European custody evolved in the last 12 months?

"Despite the fervent talk of technologies that would disrupt the custody environment, neither blockchain nor bitcoin have really made their mark on the business other than some cases of low hanging fruit"

Daniel Pascaud

Jesper Linden: The industry has stood up extremely well during the ongoing COVID-19 pandemic. Following intense activity levels with record trading volumes and substantial asset value decreases most of the core components have returned to a kind of normality. Important, but as of yet temporary, changes have been instigated in areas like contract and power of attorney work (by use of electronic signatures), voting (by re-design of meeting execution and increased acceptance of e-voting) and taxes (by less strict demands for the physical documentation – paired with increased needs for information, that area is though at best squared out).

Daniel Pascaud: We see the custody business remaining on a consolidation track and CACEIS itself is a great example of this with our acquisition of KAS Bank, the Dutch pension fund servicing specialist and the joint venture with Santander's S3 securities servicing entities.

Downwards fee pressure from our clients is a constant feature of the custody business with several large clients pushing to renegotiate contracts as they struggle with generating investment performance and face similar fee pressures from their own investors. Consolidation goes some way to combatting these pressures as economies of scale help spread the costs of product development and regulatory readiness.

Despite the fervent talk of technologies that would disrupt the custody environment, neither blockchain nor bitcoin have really made their mark on the business other than some cases of low hanging fruit. They have not shown themselves anywhere near capable of replacing complex in-house systems developed by custodians over the years and are currently simply an additional platform for which it is necessary to maintain an interface.

David Turmaine: In recent years, European custodians have evolved in the face of significant changes resulting from new regulations, emerging technologies and ever-increasing cost pressures. These challenges have continued to resonate over the past 12 months and to some extent are now 'the norm' for custodians. Faced with an environment characterised by inexorable change, custodians have continued to develop their IT strategies, introduce new products, and enhance their service models while also placing an increased focus on data.

COVID-19 has been a major disruption, tanking EU equity markets, triggering a surge in corporate bond spreads and a widening of government bond spreads, and prompting heightened activity across market infrastructures during the sell-off as volumes and volatility soared. This has prompted custodians to take stock, to reflect on where they were, where they are now and where are they going as the pandemic's impacts accelerate a range of pre-existing trends and pose some new challenges.

Harald Kreuzmair: The major development was the ongoing COVID-19 pandemic and the related move to working from home. As if this was not challenging enough, we all experienced manifold numbers of transactions and volumes. Both, the overnight move to a work-from-home environment and the processing of an incredible workload went smoothly. Had you asked me about one of these challenges a year ago I would have had some doubts whether the industry could cope with that. Turns out that we accommodated both and we can say the industry weathered the perfect storm in fantastic shape. Specifically for Central and Eastern Europe (CEE) we saw no disruptions in processes, neither due to the activation of circuit-breakers nor trading holidays to catch up with the backlog of transactions.

Aside from COVID-19, we continue to see progress in automation driven by coding, machine learning and artificial intelligence (AI). In parallel, many institutions, such as custodians, central securities depositories (CSDs), stock exchanges and clients, work on standardisations and harmonisations in order to achieve process efficiency.

Somewhat disappointing is the continued lack of distributed ledger technology (DLT)-based implementations at scale and therefore the initial expectations of disruption, significant reduction of time and efforts and a collapse in settlement and safe-keeping costs are still not realised

"In recent years, European custodians have evolved in the face of significant changes resulting from new regulations, emerging technologies and ever-increasing cost pressures"

David Turmaine
Executive director
Capco

"The major development was the ongoing COVID-19 pandemic and the related move to working from home. As if this was not challenging enough, we all experienced manifold numbers of transactions and volumes"

Harald Kreuzmair

What are the biggest trends in the European custody space right now?

Turmaine: The COVID-19 pandemic has prompted custodians, like other financial services institutions, to accelerate the digitalisation agenda, and are accordingly assessing how to shift the focus of their operating and business models from technology that is used to the way in which people interact and execute delivery. Undoubtedly, the execution of large-scale transformation programmes is under review, with custodians analysing how the pandemic has impacted plans, priorities and team structures.

Enhancing engagement models is most certainly a primary focus right now, both technically and operationally as firms look at more flexible workplace and workforce models. Custodians are adapting to new ways of working such as how they service clients remotely and will be assessing the appropriate channels for engagement.

Data is bigger than ever. In particular, custodians are exploring how data mining can inform and drive smarter business decisions and surface meaningful intelligence around client trends and behaviours. Custodians may choose to look at data on an intra-day rather than the end-of-day basis to enhance decision making and likewise assess the digitalisation of client channels for data and services.

Technology will continue to be a key enabler as custodians look to manage ongoing change, with AI and machine learning and intelligent automation to the fore; at the same time, they are addressing the need for platform rationalisation for smart data solutions. The streamlining of know your customer and client onboarding processes, enhanced access to data and the monetisation of proprietary data are additional areas of focus.

Ulf Noren: Dealing with the new normality has forced the industry to innovate its client-facing role as travel is either banned or visits are not welcome. Building technology communication tools that can be used to uphold the dialogue is something 'everyone' is busy doing. From a business performance and continuity perspective, the focus has shifted a lot to compliance, taxes, technology and IT security. This is reflected in how and where custodians spend time and money and how we recruit. Not finding sustainable business reasons to stay and continue the full race has on a few Nordic occasions showed that the step to say goodbye has been shorter and quicker.

Pascaud: European trends remain industry consolidation to secure profitability from economies of scale while downward pressure on fees from clients continues. Digitisation and automation are also key trends driven by the need for process efficiency and cost reduction.

Kreuzmair: Automation is the name of the game to bring down costs further and improve speed. On top of this, data, analytics and the intelligence gained from this become ever more important. On one side it allows everybody to obtain a better insight into their own business, on the other side we can give valuable feedback as to what works well and what does not. A nice by-product is the possibility to identify solutions, create additional services and cross-sell with other products.

What are the biggest challenges facing custodians in Europe?

Linden: One of the challenges includes making sure that income minus cost generates a positive number.

That number will though unfortunately be used for the investment necessary to keep up with mandatory changes following regulatory change and internal/external non-authority driven compliance, audit and security reasons.

The tax area is as challenging.

The far-reaching changes in 75 percent of the markets we play a role in contain many elements of liability and it is definitely one area where you can't afford to fail.

Pascaud: Cost efficiency remains by far the biggest challenge. The slow reduction in fees, the disruptive technologies nibbling at certain areas, the regulations adding to the administrative burden.

Robotic process automation, AI and an overall increase in the digitisation of the industry combined with the economies of scale possible through ever greater consolidation are some of the main ways custodians are looking to increase efficiency.

You'll have to be one of the biggest to survive.

How will CSDR affect custody business in Europe? And what other regulations have been/are significant to custodians?

Pascaud: The Central Securities Depositories Regulation (CSDR) will force all players in the settlement space to increase the rate of settlement efficiency as it brings in the concept of financial penalties for parties responsible for postponing trades. CACEIS is actively working to promote the efficiency of trade settlement by developing a management information system that will highlight on a dashboard those trades that are pending and where the responsibility for the delay. In reducing the administrative workload relating to failed trades, the entire settlement process will gain greatly in efficiency. Although CSDR implementation has been pushed back until 1 February 2022, we are delighted to be a step ahead and already working to improve settlement processes.

Apart from CSDR, two other regulatory measures will have a huge impact on our operational processes – Securities Financing Transactions Regulation (SFTR) and the second Shareholder Rights Directive (SRD II). Both will cause a significant rise in the administrative workload and consequently drive up the costs of doing business too. SFTR requires the custodian to monitor thousands of flows every day, with a long list of reasons why transactions may be rejected. SRD II on the other hand brings in additional complexity with its famous 4pm deadline. There is lots of work ahead.

Noren: It is still a bit early and not all CSDR features are in place yet. Ideally, CSDR will be an important framework in order to standardise the safe and consistent treatment of settlement in Europe. An important driver for the creation of the regulation was thoughts around CSDs ability to stand up and being resilient. We believe European CSDs have demonstrated such resilience over the years even without CSDR but streamlined and consistent rules are always welcome. The harmonisation that follows with CSDR at some stage will pave the way for further harmonisation in other areas. At the moment most focus is put into dealing with the Settlement Discipline Regime that thankfully has been postponed.

Linden: Yes, SRD II is a mega project for all organisations and as these efforts are still ongoing after the recent introduction, a level of preparedness lower than the industries normal standard has been observed. Also here, many benefits would have materialised if it had been granted a further delay. In this region, many pair of eyes are seeing in the direction of Finland as the first adaptor of the TRACE model for taxes. This will happen as of 1 January 2021 and it is with a sense of urgency we see the date approaching.

Kreuzmair: Listening to industry voices/complaints on the penalty regime I have a somewhat different or more relaxed view about this. If it helps to reduce open/not-settled transactions systematically I am all for it and clearly, there are costs to the counterparty honouring its obligations by another one not honouring theirs, so it is only fair to attach a price on this. If the industry comes to a different and more practical solution, the better. As a service provider, we see the settlement discipline regime as a pretty complex exercise, so a more pragmatic approach will help. Let's see where we are heading.

Turmaine: CSDR has been a top priority for European custodians in the last couple of years.

> **"CSDR will force all players in the settlement space to increase the rate of settlement efficiency as it brings in the concept of financial penalties for parties responsible for postponing trades."**
>
> ***Daniel Pascaud***

Ulf Noren
Sales and relationship manager sub custody
SEB

“The custody ecosystem is, despite many onlookers attempts to look upon it like bread and butter, immensely complex with a variety of rulebooks and so many components that have no given way for standardisation”

“The convergence of maturing technology and an organisational commitment to digital transformation has created a golden opportunity for the European custody community”

David Turmaine

With settlement internalisation reporting having gone live in July 2019, the focus has shifted to CSDR’s settlement discipline regime.

CSDR contains several features with various impacts on the ecosystem with the intent to enhance the efficiency of securities settlement in Europe and offers a path to industry best practice to eliminate some of the inefficiencies and risks within the pre- and post-trade environment. To achieve it sets out a number of requirements for market participants.

Key among those is a single set of prudential and supervisory requirements for CSDs and other institutions providing banking services ancillary to securities settlement. The requirement for CSDs, and in turn the CSD participant, to offer their clients a choice of omnibus or individually segregated accounts is another. The regulation also stipulates a set of measures to prevent settlement fails, including cash penalties and the mandatory buy-in of trades that fail to settle from the fourth business day after settlement due date. Other requirements include dematerialisation — representing all transferable securities in book entry form i.e. electronically recorded in the CSDs before trading on regulated trading venues — and freedom of issuance in any EU member state, providing issuers with a choice of CSD rather than obligating them to use the CSD in which they are domiciled.

CSDR presents opportunities for the custody community to launch new or improved services and achieve higher rates of settlement efficiency for its clients. Examples include: fails reporting with projections of cash penalties and buy-in risk; reconciliation of penalties; and collaboration with securities lending providers/buy-in agents to help clients manage to avoid or manage mandatory buy-ins. Such services will be a source of competitive advantage for custodians going forward, given how inefficiencies around the processing settlement instructions or provision of detailed reporting can damage client relationships and give rise to disputes over associated penalties.

Another regulation impacting custodians is SRD II and its requirements around shareholder identification, the transmission of information and the rights of shareholders. Unlike CSDR, a proposed delay to its implementation was rejected and the directive went live at the beginning of September. The complexity of the changes involved meant that readiness levels across the market were varied, and at the time of writing a number of firms are still in the process of upgrading their messaging standards.

How has the increase in technology changed European custody business?

Turmaine: Historically global financial service providers have been resistant to technological innovation. However, times have changed and now custody service providers see a genuine competitive advantage and a means to driving client penetration and revenue, as opposed to viewing operations and client service as a necessary yet large expense. They are using a combination of applied advanced data analytics, new metrics, end-to-end process automation and policy change to make this happen.

Operational technology has been slow to scale over the years and combined with a lack of investment in the back office, this has resulted in many institutions struggling with ageing legacy applications that have grown in complexity on a massive scale. This has negatively impacted the ways of working and process effectiveness.

The convergence of maturing technology and an organisational commitment to digital transformation has created a golden opportunity for the European custody community to improve their capabilities.

By focusing on these priority areas, management has an opportunity to solve some of their most frustrating challenges. More importantly, they have an opportunity to protect the organisation's margins and competitive advantage by improving efficiency and strengthening key client touchpoints.

The adoption of client lifecycle management technologies, coupled with a renewed recognition at the leadership level that operational service plays a critical role in ensuring client service satisfaction, is empowering custodians to explore solutions and effect real change.

Going forward, in order to enhance capabilities and improve the client experience and overcome internal processing constraints, global financial institutions will need to blend big data technology with highly automated business process operations. The next-generation approach must be designed to deliver significant cost savings, faster and more efficient onboarding of clients and their assets, and be more defensible from a regulatory perspective. Doing so will allow institutions to create competitive advantage and build stronger client loyalty in what is becoming an overcrowded marketplace.

Noren: Not as much as one would have hoped for. The custody ecosystem is, despite many onlookers attempts to look upon it like bread and butter, immensely complex with a variety of rulebooks and so many components that have no given way for standardisation. It happens by way of a myriad of small steps and although many opportunities are imbedded in foreign exchange use of DLT, by digital enabling as an umbrella term, very little of substance has materialised. We are firm believers in increased speed of the use of AI instead of robotics playing strategic roles as permanent solutions versus the tactical role it should really play until a root cause problem is fixed. We also believe in the use of technology to design client-based solutions for static problems and developed our first private API that can be used to address the industry's two most asked questions, namely 'what id my status, what is my position?'.

Pascaud: Custody is a highly-regulated business and even though technology such as blockchain is fast-evolving and potentially disrupting, there are so many regulatory hoops to jump through that it requires huge amounts of IT development costs to meet the all the requirements custodians are held to. The in-house legacy systems of custodians present a level of complexity that blockchain cannot currently meet which is why it remains on the fringes, picking off the more simple tasks. We don't see technology in general having a huge impact on the custody business during the coming years except perhaps in the area of user interfaces.

The custody industry has been around since at least the 1960s and in that time many of the processes have been perfected and the business has industrialised. However, the industry itself has remained pretty similar and has not (yet) undergone any major disruption or transformation. The settlement process, the corporate action process, the forex process still relies on SWIFT to exchange cash or securities, and the 20022 standard SWIFT messages launched years ago has still not been fully implemented.

What are the most prominent opportunities to be had for custodians in Europe?

Pascaud: The biggest opportunity for the large custodians is to continue on the consolidation route by acquiring or partnering with other market players that are facing difficult times due to the reduction in revenues and increasing expenses.

The European custody market is still far too much fragmented and there remain many opportunities to consolidate and take advantage of economies of scale.

Linden: Continuing to prove relevance as a service provider for the region as consolidation of the market continues. While wishing we could be more fancy — and this is no attempt to downplay the need for new technology solutions — the most prominent opportunity will come to the one that is prudent, diligent and comply with the rulebook(s) in a way that also the client in the partnership can sleep well at night and remain compliant.

Turmaine: The emergence of digital/tokenised assets presents a key opportunity for custodians. Client demand is starting to grow in this area, as institutional investors look to diversify into other non-traditional asset classes that are issued in the digitised/tokenised form. To support this, custodians will need to invest in blockchain technology to facilitate the settlement and safekeeping of these types of assets. Furthermore, offering this type of capability will create new opportunities to service the issuers of digital/tokenised assets, thereby opening up a new market for their businesses.

If deployed in the right way blockchain technology can facilitate the transition of traditional custody services onto the platform, as well as support new products and services to drive operational and cost efficiencies and enhance the client experience from a cost and performance perspective.

The business is becoming more data-driven. Intelligently-derived data is a valuable asset, and for some organisations, the ability to mine this data effectively represents a significant — and sometimes prohibitive — investment. There is an opportunity for custodian banks to provide data analytics services to provide their clients will intelligent and meaningful insights into their business performance, trends and behaviours to satisfy their own business, risk and regulatory needs.

Kreuzmair: It seems that the consolidation on the custody side is more or less done and I see the industry now focusing on fund services, either in the distribution or trading and brokerage platforms. The real opportunities are longer term.

How do you envisage the custody business changing over the next 10 years?

"The heavy investment will be made in compliance with regulations"

Ulf Noren

Kreuzmair: I expect a broad-based move to digital securities and the creation of an ecosystem challenging all elements in the chain, stock exchanges, CSDs, custodians, traders, sales, notaries, law firms and tax experts. In the extreme, everybody including the end-investor is connected in a fully automated way to everybody, thus eliminating the need for most of the services rendered today by the said institutions.

Personally, I believe that investors, institutional and retail, are human beings and we prefer to deal with other human beings while at the same time benefiting from a much-improved customer experience. So, while the truth this time may not lie in the middle, we will see substantial changes in our industry.

Turmaine: Next-generation technology presents custodians with opportunities to position themselves differently within the ecosystem. Transactional fee revenues are under pressure as settlement volumes continue to decrease and external post-trade infrastructure costs increase. To counteract the impacts of this continuing trend, custodian banks will need to find ways of positioning themselves in other areas of the value chain and consider how they might directly compete with investor/issuer CSDs and other post-trade service providers.

Technology will clearly play a prominent role in realising these opportunities. Similarly, custodians also need to consider whether their legacy platforms are fit-for-purpose and — more importantly — future-proof. It is unsustainable to continue implementing standalone solutions to support new markets, products and services, or cannibalising legacy platforms to perform non-core functions. This will only further complicate already complex and highly fragmented infrastructures and increase IT, operational and compliance costs, further eroding profitability.

Pascaud: The biggest opportunity for the large custodians is to continue on the consolidation route by acquiring or partnering with other market players that are facing difficult times due to the reduction in revenues and increasing expenses.

The European custody market is still far too much fragmented and there remain many opportunities to consolidate and take advantage of economies of scale.

Linden: 10 years is a long time but in the custody context, more a mid-term perspective. We are still dealing with the implementation of features originally designed to mitigate effects from the banking and liquidity crisis from 2008/2009, which is 11 to 12 years ago. We thereby believe, when looking at our region that we will see further consolidation of the infrastructure, we will see consolidation in the sub-custodian space and we do believe that two regional banks and two banks of more European reach style will dominate our turf.

Noren: We do also believe that the volume game will step up and that business relevance analysis is made more frequent than today. The race to the bottom on margins will have to stop at some stage during the envisaged period but unfortunately not very early in that cycle. The heavy investment will be made in compliance with regulations, both new upgrades of existing ones and new such. The EU agenda on this front shows no sign in having the pendulum shift towards the previous modus of self-regulation.

So to say. There will be technology shifts of magnitude and the SWIFT ambitions in the field is encouraging. Having the most important partner for our business world showing leadership is great. Last, the most important part will be depending on the people in the industry. This is a business based on competence, trust and personal intention to do good and it will remain so – a true peoples business also in 10 year's time.

FCA Market Watch 65

Cappitech discusses the Financial Conduct Authority's continued focus on transaction reporting under MiFID II

In its September Market Watch 65, the Financial Conduct Authority (FCA) continued its trend of focusing on transaction reporting under the second Markets in Financial Instruments Directive (MiFID II). The data quality issues covered expanded other transaction reporting related items the UK regulator wrote about in Market Watch 59 and 62.

The Market Watch publications help answer the question of 'What regulators look for in the data?' and are thus key areas for firms to focus on when reviewing its report submission data quality. Within Market Watch 65, the FCA covered these five topics of MiFID II.

Unreported transactions

The FCA pointed out that a number of firms are incorrectly defining trades within scope. Specifically mentioned were over-the-counter (OTC) traded products or on non-EU venues that were based on an underlying index or basket that had a component trading on an EU venue, potential examples include contract for differences (CFDs) or futures on US indexes where index components are listed in the EU and found on is the European Securities and Markets Authority's Financial Instruments Reference Database System list.The FCA also noted that a number of firms didn't have the correct infrastructure to report on a T+1 level with submissions being late. The FCA also alluded to the exit of the CME Group European Trade Repository by stating: "Where a data reporting services provider has indicated that it will stop providing a data reporting service, affected firms should make necessary arrangements to continue meeting their transaction reporting obligations."

Overall, the FCA reminded firms that in cases where trades aren't being submitted in time or reports are missing, the regulator is to be notified using the errors and omissions notification form. The FCA also alluded to potential late the exit of the CME Group.

Underlying instrument

The Market Watch aimed to clarify Field 47, Underlying Instrument Codes. It explained the instrument code should be of that which a derivative is based on.

As an example they used CFDs on equity options, stating that the underlying should be the Option contract and not the International Securities Identification Number of the stock that the option is based on.

Trading venue transaction identification codes

At Cappitech, we've encountered a number of questions regarding reporting of trading venue transaction identification codes (TVTIC), Field 3. Confusion related to the field were raised by the FCA as it noted several issues they have seen with reports. Ultimately, trading venues are responsible for sharing TVTICs with investment firms who then need to report them on their Markets in Financial Instruments Regulation (MiFIR) submissions.

The FCA stated that it has seen cases where TVTIC is left blank when it should be reported. The authority also advised investment firms to review processes in place for reporting TVTIC as well as for trading venues to review how they share the codes.

Systems and controls

The Market Watch concluded with a reminder that firms should have in place systems to review their reports for accuracy. It mentioned that even though reports pass the FCA's validations, they aren't covering all errors. In addition, it stated the requirement for firms to reconcile submissions against their front-office data.

Cooper Wood & Associates, an independent consultancy specialising in asset servicing, has hired Mark Friend, the former COO of Premier Asset Management.

In his new role, Friend will work as an independent senior associate of the recently launched UK consultancy partnership.

Cooper Wood & Associates was launched in June this year by industry experts Rod Cooper and Tim Wood with the aim of bringing the first-hand experience to assist both buy- and sell-side firms manage their costs, revenues and efficiencies.

Commenting on the new appointment, Cooper said: "We are delighted to be able to offer Mark Friend's vast expertise to our clients. Having the opportunity to engage with a former fund management COO, allows custodians and administrators to benefit from his direct experience on regulatory, business, and buying behaviour imperatives from their target market."

Wood added: "For asset owners and managers seeking to minimise their own expenses and those of their asset servicing providers, Friend's knowledge and track record enables us to strengthen our proposition for our clients to drive greater value and optimise the relationship with their service providers."

Meanwhile, Friend said: "I am pleased to be able to join Rod Cooper and Tim Wood and to complement the experience of the Cooper Wood team. Having worked in this industry for many years, I have seen how firms can become uncompetitive and leak investment performance if they don't understand the opaque costs that surround asset servicing."

Aztec Group has been selected to provide ongoing administration, reporting and investor services to Deutsche Private Equity's (DPE) €1 billion Fund IV from its offices in Jersey, Luxembourg and the Netherlands.

Deutsche Private Equity, which was established in 2007 and has more than €2 billion of assets under management, mainly invests in small and medium-sized companies based in Germany, Austria and Switzerland. The independent German investment firm largely focuses on business services, energy, environmental technology and the healthcare sector, and will continue with this investment strategy for Fund IV.

Fund IV, which is DPE's latest fund, was significantly oversubscribed and has commitments totalling €1 billion with a global investor base spanning Europe, North America and Asia.

Andreas Demmel, director, Aztec Group, said: "We're delighted to support DPE with their new fund and build on our long-standing multi-jurisdictional relationship. Aztec has been working with DPE and other leading names in Germany, Austria and Switzerland (DACH) private equity markets for over 10 years, particularly in the mid-market space, so it's great to see our specialist expertise in this area continue to be recognised."

Sadia Wern-Sukhera, CFO at DPE, added: "Aztec Group remains an important partner to our operations, having supported us on the launch and running of Fund II and Fund III. Our excellent existing relationship with Aztec, together with their proven credentials in the mid-market sector and in particular the DACH region, were among the main reasons why we chose to work with the group again."

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"The controlling of costs is particularly relevant and important in light of the Financial Conduct Authority's focus on value assessment, and whilst firms themselves are having to come to terms with the new requirements in relation to operational resilience, and capital adequacy."

BNP Paribas Securities Services has appointed Akshay Thakurdesai as head of India.

Reporting to Franck Dubois, head of BNP Paribas Securities Services Asia Pacific, and Sanjay Singh, deputy CEO, India Branches at BNP Paribas, Thakurdesai will be responsible for leading the bank's securities services team in India as well as developing new business opportunities for its India franchise. Thakurdesai, who joined the bank in 2006, has held various senior management positions including COO of BNP Paribas Securities Services India, and more recently COO of BNP Paribas India's brokerage business. He will replace Christophe Beelaerts, who has been appointed Asia Pacific senior sales specialist, based in Luxembourg, promoting BNP Paribas' Asia Pacific products.

Commenting on Thakurdesai's appointment, Dubois said: "India is a growing market, where we service both domestic and foreign institutions. Akshay Thakurdesai's in-depth knowledge of the Indian market stands us in good stead to continue to develop our offering in the country."

BNP Paribas Securities Services India offers asset servicing as well as third party clearing and settlement services aimed at local financial institutions. The bank also acts as a local custodian to foreign investors investing in the country.

VP Bank has appointed Claus Jørgensen as CEO, having previously acted as interim successor to Thomas Steiger since his resignation in May.

Jørgensen holds over 25 years of experience in the financial services sector and fund management business, over a decade of which was spent based in Luxembourg. Previously, he served as head of client business at VP Bank (Luxembourg), where he was responsible for the private banking, external asset managers, fund services, and investment advisory and portfolio management divisions.

Paul Arni, CEO of VP Bank Group and chairman of the board of directors of VP Bank (Luxembourg), commented: "I am delighted that with Claus Jørgensen we have been able to recruit a successor from our own ranks who is very familiar with the culture, business processes and clients of VP Bank."

"As a valued management figure and respected financial professional with outstanding expertise and experience in private banking and fund management, Jørgensen is the ideal person to fill the position."

Benjamin Duve has been appointed as head of digital assets and custody at Commerzbank, based in Frankfurt.

In his new role, in addition to running custody, Duve is charged with looking into the opportunities offered in the fast-changing field of digital assets based on the developments overall.

Duve has worked at Commerzbank for 13 years. He most recently held the job role as head of custody and direct market access, director.

The appointment comes after the Germany Finance Ministry proposed legislation to modernise German securities law and the associated supervisory law on 11 August.

With the establishment of digital securities, the German Finance Ministry noted that one of the central components of the Federal Government's blockchain strategy and the joint key issues paper of the BMF and the BMJV on electronic securities will be implemented.

According to the current legal situation, financial instruments that are classified as securities under civil law must be securitised in a document.

The proposed regulation also creates regulatory clarity, according to the German Finance Ministry.

It noted that the Federal Financial Supervisory Authority will monitor the issuance and the maintenance of decentralised registers as new financial services under the eWpG, the KWG and the central securities depository regulation.

The ministry of finance said the draft differentiates between the maintenance of a central electronic securities register by a central securities depository and the maintenance of registers for issuing electronic bonds made possible by distributed ledger technologies, among other things.

It added: "Adapting the legal framework to new technologies, especially blockchain technology, serves to strengthen Germany as a business location and increase transparency, market integrity and investor protection."


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