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ISSUE 258 03 February 2021

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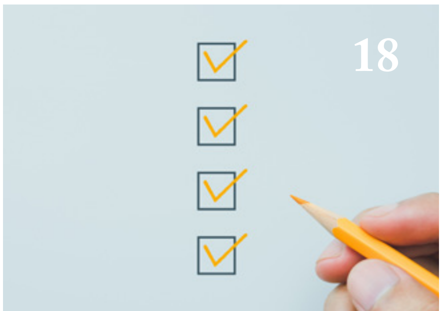

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Citco selects Abu Dhabi as regional headquarters, enters partnership with ADGM

Citco has selected Abu Dhabi as the firm's regional headquarters and entered into a partnership with the Abu Dhabi Global Market (ADGM).

The decision comes after Citco increased its assets under administration in the region last year by 400 per cent to approximately $125 billion.

The partnership with ADGM will focus on creating a sustainable ecosystem for the investment management industry and provide a platform for the local population to further develop the financial services industry in the United Arab Emirates (UAE).

It will see Citco will support ADGM's goal of increasing local employment in the UAE's financial sector by sourcing talent for roles in its asset servicing, administration, custody and governance services business lines with local Emiratis.

It also aims to promote training and employment through internships, seminars and educational programmes in conjunction with local institutions and providers and commit to the employment of women in finance and accounting.

Roald Smeets, president and COO of The Citco Group, says: "We accomplished this feat with long-term sustainability in mind, a trait mirrored in ADGM's commitment to further establishing Abu Dhabi as an international financial centre through region-wide education and employment programmes."

Juma Al Hameli, senior executive director of strategy and business development at ADGM, explains this "symbiotic relationship will enable us to leverage Citco's global reputation and reach within the alternative investments sector".

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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

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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State Street wins new custody and fund admin mandate

State Street Australia has gained a new mandate to provide custody and fund administration services to Perpetual Investment Management's asset management business. The appointment is proposed to take effect within Q1 2021 with the transition of services to State Street's services to occur in 2021.

State Street will provide core custody, middle office, administration, valuation, accounting and tax reporting services to the funds offered by Perpetual, supporting its asset management business.

In addition to the back and middle office services, Perpetual will leverage State Street's enterprise data platform to manage data across the investment cycle more seamlessly.

Daniel Cheever, head of State Street institutional services for Australia, says: "This is a further vote of confidence by market leaders in our ability to provide a full suite of solutions."

Cheever adds: "We are deploying an open architecture platform, which will provide critical data and an uplift in custody and fund administration services."

Perpetual CEO and managing director, Rob Adams says: "State Street is a truly global and quality provider and their support will be crucial as we continue to grow our capabilities and client offerings over time."

"By utilising State Street's global scale, expertise and technology, Perpetual can streamline their day-to-day operations, better support their clients and focus on innovation and growth."

The appointment comes after a search to replace Perpetual's current custodian, RBC, who has announced plans to exit the Australian market.

Adams notes that Perpetual had enjoyed a strong partnership with RBC over the last 20 years and thanked them for their support.

He says: "We are very appreciative of RBC's commitment over two decades and we wish them well as they exit the market here in Australia."

"Moving ahead, we look forward to working with State Street and making the transition for our business and our clients as smooth as possible."

Clearstream and FundsDLT complete first blockchain fund transaction

Zürcher Kantonalbank (ZKB) and Deutsche Boerse's post-trade services provider Clearstream processed their first live blockchain-based end-to-end fund transactions, using FundsDLT, a decentralised platform for fund transaction processing.

ZKB was the first to leverage the joint FundsDLT and Clearstream solution, with an end investor placing a fund transaction request via a mobile app directly on the private blockchain.

The order was captured and delivered to Clearstream's fund processing platform Vestima via the blockchain.

The overall processing time for an investor order was reduced from several hours to only a few minutes, according to Clearstream.

The order was captured and delivered to Clearstream's fund processing platform Vestima via the blockchain.

ZKB's client received real-time updates and, after a few minutes, the transaction confirmation on the app – a process that could commonly take several hours before.

Peter Hubli, head of digital asset solutions at ZKB, says: "With FundsDLT we convinced ourselves of the potential for the entire value chain in the fund business, including the improvement of customer experience, efficiency in the settlement process and the reduction of costs."

"The proof of value allowed us to have a sneak peek into the future of the fund industry, its potential and impact not only for ZKB, but also for our clients and partners. By leveraging blockchain technology, we get both an overview of the entire flow of assets and money and can also identify and understand the investor's needs."

This particular cross-border distribution of an investment fund between Switzerland and Luxembourg showed that distributed ledger technology (DLT) can foster more efficient, scalable and faster fund investing for all market participants, says Clearstream.

ZKB states it exploited its existing connection to Vestima and triggered the blockchain-based fund transactions via API delivered by FundsDLT, allowing ZKB to access all 48 connected fund markets without the need for additional onboarding processes.

Bernard Tancré, head of investment fund services product at Clearstream, says: "Integration with FundsDLT was very efficient and straight-forward. It is important that our customers can leverage the advantages of blockchain starting today, with access to a large investment funds portfolio via proven, regulation-compliant and safe fund processing environments."

"This initiative significantly increases operational efficiency for investors, distributors and transfer agents, and we are only at the beginning of this most promising journey."

Olivier Portenseigne, CEO of FundsDLT, adds: "We are delighted to see a bank such as Zürcher Kantonalbank push forward and explore the value that the collaboration between FundsDLT and Clearstream can deliver to the wealth management side."

"Digital transformation is today paramount for financial institutions and our goal is to enable fund distributors to simplify their business and operating model and build the technology foundation to enable their clients to connect to fund products anywhere and in an easier manner."

Fenergo to transform investor lifecycle management for PIMCO

Regtech company Fenergo has been selected by global investment management firm PIMCO to transform its investment lifecycle management solutions.

As part of the new mandate, Fenergo aims to enable the investment management firm to digitally transform its customers' and intermediaries' onboarding experience.

Fenergo will provide best practice workflows for separate account onboarding and alternative client counterparty due diligence and intermediary/distributor oversight for the firm's global offices.

Additionally, Fenergo will provide know your customer (KYC), customer due diligence (CDD), anti-money laundering (AML) systems and risk scoring services.

The firm selected Fenergo's software-as-a-service (SaaS) offering to deliver an end-to-end solution that would support the management of its investor, counterparty and intermediary lifecycle management requirements.

Meanwhile, the regtech company will also improve the customer journey and driving efficiencies by replacing manual processes.

Fenergo will enable the investment management firm to maintain all client information in a single system of record, serving as a source for KYC data.

This single customer data repository will reduce the need for repeated requests for customer information whilst allowing time for employees to focus on value-added tasks.

With Fenergo's solution, the firm says it will be able to easily identify and trace ultimate beneficial owners and visualise links to multiple relationships.

"Our client is a pioneer in digital transformation and is a market leader. We are focused on enabling the firm to transform CX and deliver even greater value to its investor community with the delivery of our award-winning investor lifecycle management capabilities," says Kevin O'Neill, global head of asset management and asset servicing at Fenergo.

HSBC reappointed by BBC as global custodian and fund administrator

HSBC has been reappointed by the BBC as global custodian and fund administrator to its £17.3 billion pension scheme.

The BBC Pension Scheme is one of the largest occupational pension schemes in the UK, providing benefits to over 50,000 people, and HSBC has been providing custody services to it for the last 17 years.

The reappointment of BBC follows a detailed independent benchmarking and due diligence exercise of the pension scheme's global custody arrangements, explain HSBC.

As part of the renewal, HSBC says it will continue providing global custody, fund accounting and performance measurement services.

Dale Grieve, European head of asset owners, securities services, HSBC, comments: "We're absolutely delighted to continue our long-term strategic partnership with the BBC Pension Scheme and to provide ongoing support to the trust for the next five years, as mandated, in what is an increasingly challenging economic environment."

Volante collaborates with Citi for Global ISO 20022 Migration

Provider in cloud payments and financial messaging Volante Technologies and Citi are extending their relationship to accelerate the bank's adoption of the ISO 20022 financial messaging standard across its global payments operations. Citi will be building its core ISO 20022 capability using Volante's VolPay For ISO 20022 Migration solution.

The solution will enable the sending and receiving of ISO 20022 messages as well as the usage of the ISO 20022 enhanced data throughout the transaction lifecycle for sanctions screening, anti-money laundering monitoring, reporting and reconciliation.

Volante states that VolPay is "well positioned to support the complexity and the global scope of change" that Citi requires for the ISO 20022 adoption within the mandated timelines.

Nick Nadgauda, global head of technology, with Citi's treasury and trade solutions, explains that Volante's payments processing solutions are already "an integral part" of our payments and transaction banking platforms.

Nadgauda says: "Using this technology will allow us to simplify the complexity of mandatory ISO 20022 migrations across the many markets in which we operate."

"We will be able to serve our clients even better by catering to their complex needs."

Significant changes are on the horizon for banks and financial institutions, with ISO 20022 migration mandates raising a multitude of operational, infrastructural, and technical challenges, according to Uday Thakur, chief technology officer, Volante Technologies.

"Helping banks rise to the challenge and enabling them to meet critical deadlines without slowing down modernisation efforts, will be key to their success," Thakur explains.

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Northern Trust reveals YoY increase for AUC/A

Northern Trust's total assets under custody/administration (AUC/A) totalled $14.5 trillion for Q4 2020 marking a 21 per cent year-on-year (YoY) increase from its Q4 2019 results.

Breaking the total figure down, total assets under custody stood at $11.2 trillion as of 31 December 2020, while assets under management reached $1.4 trillion.

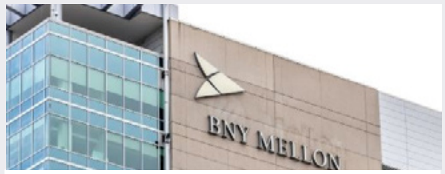
Read the full article online

ACA Compliance Group introduces new global ESG practice

The ACA Compliance Group, a global provider of governance, risk, and compliance advisory services and technology solutions, has set up a new global environmental, social and governance (ESG) advisory practice to support its clients.

Clients will be provided with ESG advisory services to support the sustainable investment ecosystem.

Read the full article online

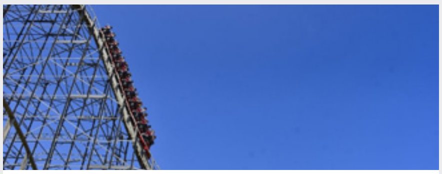


BNY Mellon sees YoY decrease in asset servicing revenue

BNY Mellon has reported a year-over-year (YoY) decrease on its asset servicing revenue, which the bank said reflects lower interest rates and higher money market fee waivers, partially offset by higher market values and foreign exchange volumes and volatility.

The bank's Q4 2020 earnings showed asset servicing revenue totalled $1.4 billion, representing a 4 per cent decrease on 2019's Q4 figure.

Read the full article online

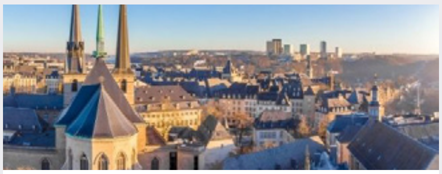


Citi sees drop in Q4 markets and securities services revenue on quarterly basis

Citi has revealed markets and securities services revenues totalled $4.5 billion, according to its Q4 2020 results, representing an increase of 13 per cent on last year's figure.

Although Citi reported year-on-year growth, markets and securities services revenues drop from $5.2 billion from Q3 2020.

Read the full article online

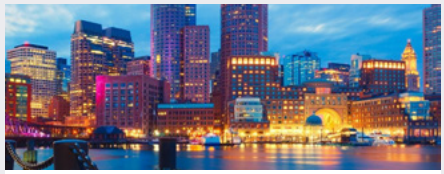


Foresight expands European presence with new AIFM in Luxembourg

Independent infrastructure and private equity investment manager Foresight has opened a new alternative investment fund manager (AIFM) office in Luxembourg.

Foresight says the new AIFM licence will enable it to meet the needs of its EU investor base and strengthen its presence in continental Europe.

Read the full article online



State Street sees new servicing wins of $205bn in Q4 2020

State Street's Q4 2020 results revealed investment servicing mandates announced in Q4 totalled $205 billion, with quarter-end servicing assets remaining to be installed in future periods of $436 billion.

Servicing business wins totalled $787 billion in 2020, with an increasing proportion incorporating State Street Alpha.

Read the full article online

Paving the way for ESG

Sergio Venti discusses Pictet Asset Services' newly launched online ESG self-assessment for third party fund managers, and how ESG and sustainability are becoming more prominent in the industry

Maddie Saghir reports

What objectives are behind the launch of an online ESG-self assessment for third party fund managers?

The goal of this newly launched environmental, social and governance (ESG)-dedicated website, accessible under esg.assetservices.pictet, is to facilitate the ESG transition of third-party asset managers and guide them through all applicable regulatory criteria regarding the integration of ESG characteristics or definition of sustainable investment objectives. The goal of this digital platform is entirely client-oriented, with the objective to facilitate and help our clients in their ESG transition. As the sparring partner of our clients, we accompany them every step of the way.

Why has this platform been built specifically for third party fund managers?

The upcoming EU Action Plan (EUAP) on Sustainable Finance, which will come into practice in March 2021, imposes new transparency obligations and periodic reports at both product and manager level in the European asset management space.

Fund managers will therefore be asked for detailed disclosure on how they integrate ESG factors within their investment decision process — prospectus, key investor information document (KIID), annual report, website. This represents a big regulatory impact, requiring time and resources. We strive to preserve smaller-sized, asset managers in the sector — we see ourselves as the asset servicing boutique for active investors — and are motivated to be able to offer this practical solution for boutique asset managers that don't necessarily have the adequate infrastructure to tackle these ESG regulatory complexities.

How will the new platform guide clients through compliance criteria regarding the integration of ESG characteristics or definition of sustainable investment objectives?

The platform is built around three pillars: The first is around a client awareness role of providing the relevant information from the five main regulatory dimensions of the EUAP: the Sustainable Finance Disclosures Regulation (SFRD), taxonomy, UCITS and the Alternative Investment Fund Managers Directive (AIFMD), the second Markets in Financial Instruments Directive (MiFID II) and Carbon Benchmarks. This allows clients and prospects to gather relevant information and make informed decisions noting that the requirements will differ depending on the ESG strategies targeted by each fund manager. The second part of the platform details the offering and support services that we at Pictet Asset Services can provide and that would help them with the ESG transition of our clients. The third section of the website is reserved for clients and prospects and allows them to self-assess where they stand in terms of compliance, in order to know exactly what further steps, if any, are needed.

What do you anticipate the main challenges to be regarding the upcoming EU SFDR?

This regulation poses, first and foremost, a question of product strategy. The main challenge will be for asset managers to take a step back and evaluate their objectives and adapt their communication as each product classification will have a specific set of regulatory, marketing and investment implications.

Indeed, with SFDR, asset managers will have to classify their products based on the level of ESG integration they wish to adhere to. This regulation means that there will be an integration of a sustainability risk as a minimum standard for all products. Asset managers will have to carry out ESG disclosures at multiple levels to prevent greenwashing, ranging from pre-contractual, periodic, and website.

What will be the main opportunities to come about from this new regulation?

The aim of the EU action plan is to create a transparent and sustainable financial system, all the while avoiding greenwashing. The opportunity for asset managers is to allocate capital flows towards sustainable investment, promote the inclusion of sustainability in risk management, and foster transparency and a long-term outlook into financial and economic metrics.

SFDR will be an opportunity for businesses' capital-raising activities. Companies that are prepared and aligned with the SFDR's requirements will have a competitive advantage in the corporate finance market.

What trends are you seeing in clients when it comes to ESG, and how is the new platform responding to that?

Our clients expect us to offer support on new products and services, especially when it comes to elements integrating ESG-factors in client reporting or pre-investing screening for example, but also to provide or enable regulatory assistance and guidance. We are pleased that with this new platform, we respond to both trends.

Looking to the future, how do you see sustainability becoming more prominent in the industry?

Given the regulatory framework set up by the European Commission, there is a clear wish to have a systematic approach in including sustainability in financial products. With initiatives such as the EUAP, European legislators show their willingness to involve investors and asset managers in an effort to reorient capital flows towards the green economy and carbon neutral activities, which moves the sustainability topic closer to the top of the agenda.

Good bones for innovation

Maddie Saghir reports

With an evolving payments landscape, Canada is marching ahead to modernise its core payments infrastructure with a vision to build a modern payments system that is fast, flexible, secure and promotes innovation

Developments in technology, evolving customer behaviour and new market dynamics are all catalysts for change in the payments space.

Recent research has suggested that banks are committed to investing in areas such as digitising customer journeys, introducing machine learning, and improving technological and operational resilience, and this hasn't been swayed by the pandemic.

Real-time payments are becoming increasingly popular as they allow participants to make and receive instant payments, providing convenience, speed, and faster availability of funds.

Payments Canada recently selected Mastercard's Vocalink as the clearing and settlement solution provider for the country's new real-time payments system, the Real-Time Rail (RTR).

"Ultimately, Canadians are seeking choice and convenience. Technology, payments innovation, and shifts in the ways that Canadians make payments are all contributing to our developing payments landscape," says Ryan Grundy, lead, industry relations, Payments Canada.

Experts say Canada continues to hold a strong position among institutional investors on the world stage, in keeping with the strength of its financial mar-

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kets and 'big six' banks — the National Bank of Canada, Royal Bank, the Bank of Montreal, Canadian Imperial Bank of Commerce, Scotiabank, and Toronto Dominion Bank.

Canada's financial sector features robust and mature markets, stability and transparency, proven infrastructure, efficient settlement mechanisms and a well evolved regulatory framework – along with a focus on controlled innovation.

In line with the consolidated nature of Canada's financial sector, the payments landscape also focuses on the major bank-driven players.

"In Canada, we see a synthesis of domestic innovation combined with global connectivity, with local players deploying Canadian solutions where they make sense according to Canada's financial markets and infrastructure, while also driving connectivity or access to global platforms where either scale and accessibility make them the right direction — or, particularly in the retail space, where client demands and appetite for global solutions fits," explains Lloyd Sebastian, vice president, global financial institutions, at CIBC Mellon.

For example, Interac is a payment network jointly owned by the consortium of banks, which links the banks along with other financial institutions, retailers and others to enable more seamless electronic financial transactions.

According to Sebastian, the organisation drives a significant majority of email money transfers in Canada, competing effectively against global solutions.

With Canadian consumers concentrated on a small group of big six players who offer integrated Interac services, that is likely to continue to shape consumer use.

Payment system modernisation and effective regulatory oversight are key themes, and while these have perhaps been accelerated by the pandemic the core initiatives and impetus predate 2020, Sebastian highlights financial market participants are aware that when it comes to payments, efficiency and convenience are a top priority.

Marching ahead

In line with efficiency and convenience priorities in Canada, Payments Canada is marching ahead with its journey to modernise the country's core payments infrastructure.

"Its vision is to build a modern payments system that is fast, flexible, secure and promotes innovation," says Sebastian.

As part of these developments, Payments Canada has selected Mastercard's Vocalink as the clearing and settlement solution provider for the country's new real-time payments system, the RTR. Expected to launch in 2022, RTR will support payment information travelling with payments and act as a platform for innovation, enabling the introduction of new payment products and experiences.

While RTR is operated by Payments Canada, it is underpinned by the ISO 20022 data standard, and regulated by the Bank of Canada. Canada's new real-time payments system will consist of two components including a clearing and settlement component provided by Mastercard; and an exchange component.

Speaking at the time of the announcement Sasha Krstic, president of Mastercard in Canada, commented: "As a company that operates real-time payments systems, across card and account rails around the world, we've seen first-hand how consumers, businesses, and governments benefit from the efficiency, transparency, and innovation they provide."

Indeed, there is lots of ongoing activity in Canada's payments ecosystem. As well as the upcoming launch of the RTR system in 2021, Lynx, a new high-value payments system to replace the Large Value Transfer System is set to launch this year.

"Introducing Lynx is a fundamental part of Payments Canada's modernisation program that will transform the country's payments ecosystem. Lynx will replace Canada's current Large Value Payments System. The Lynx system will be a world-class, high-value payments system built in compliance with Canadian and international risk standards and will support the global ISO 20022 messaging standard," says Payments Canada's Grundy.

Lack of data and transparency within payment messages is a major challenge in Canada's payment space and this creates a number of inefficiencies for businesses of all sizes.

This includes labour-intensive payments reconciliation, limited predictability of cash inflows and outflows, difficulty tracking cross-border payments, and continued reliance on manual back-end processes.

As Lynx and RTR will be underpinned by the ISO 20022 messaging standard, they should be able to support businesses in overcoming these challenges.

"The standard enables the transfer of rich data with payments, a change that has the potential to improve automation and efficiency, reducing many pain points for Canadian businesses," explains Grundy.

The platform for Canada's large value transaction system (LVTS) is targeted to be migrated over to its replacement Lynx in Q3 2021.

"This upcoming change should enhance the SWIFT processing of payments and benefit processing for participants as Lynx will be a true real-time gross settlement system, helping to enhance the speed and efficiency of clearing Canadian dollar payments," says CIBC Mellon's Sebastian.

Meanwhile, the Canadian Depository for Securities (CDS) is aligning its efforts with the modernisation of Canada's payments infrastructure for its participants.

For example, efforts are underway by TMX-CDS for the Post Trade Modernization Project, a new technology platform for Canadian market infrastructure that is designed to deliver an integrated technology platform for the TMX-CDS systems.

The future of payments in Canada

The payments ecosystem in Canada is evolving and experts expect it to continue to be influenced by domestic and international innovation, payment system modernisation, as well as efforts from the regulators to define the payments industry of the future, and consumer demand.

Grundy suggests broader access to Canada's payments systems will enable payments innovation and competition.

"We welcome the Canadian government's proposed retail payments oversight framework as an important step towards supporting broader access to core payments infrastructure," he says.

Open banking is another area industry participants in Canada expect to see evolution in the coming years. Open banking is a global development that allows end users to share financial data with, and initiate payments to, entities that they choose.

Grundy comments: "The ability to selectively share data has the potential to fuel innovation and competition, and to support Canada's overall global competitiveness. Payments Canada is pleased to be a part of the Department of Finance's exploration of this initiative."

Canada has good bones for payment innovation. On a global scale, Canada is recognised for our highly-skilled, well-educated and diverse workforce, status as a hub for technological innovation and advanced infrastructure

Another area that is changing is central bank digital currencies (CBDC), a trend being driven by declining cash use and new payment options presented by cryptocurrencies, stablecoins and other reserve currencies.

Experts believe that digital currency has the potential to transform the payments industry and beyond, but it also has risks and complexities that need to be considered.

"There is an opportunity for Canada to determine the rules, standards, education and protections that should be in place to allow Canadians to take advantage of digital currency, in support of a strong and safe base from which the broader marketplace (including the payments industry) may compete and innovate," affirms Grundy.

Meanwhile, CIBC Mellon's Sebastian says: "We can expect to see new technologies, response to consumer demands on both the institutional and retail front, and of course the relentless pressures of competition, innovation, efficiency and regulatory evolution in response to market change."

Additionally, there is expected to be a continued shift toward digital and contactless payments which is something that has been increased amid the ongoing pandemic environment.

With much opportunity on the horizon for Canada's payments ecosystem, Sebastian concludes: "Canada has good bones for payment innovation. On a global scale, Canada is recognised for our highly-skilled, well-educated and diverse workforce, status as a hub for technological innovation and advanced infrastructure."

The Roaring Twenties and The Great Depression?

Maddie Saghir reports

Cooper Wood & Associates' '60 second Asset Servicing Survey' reveals its respondents anticipate both the warm sun of a market upswing, combined with the cold winds of fee pressure and cost cutting

A century ago there was an economic boom in America. The 1920s was a period of innovation and invention in technology and science. By 1929 the Great Depression hit and would last until the late 1930s causing a severe worldwide economic depression that took place mostly during the 1930s, beginning in the US.

Fast forward to today, and there does seem to be a bittersweet mixture of opportunities and challenges in financial markets, which is highlighted in the '60 second Asset Servicing Survey' by Cooper Wood & Associates, a specialist asset servicing consultancy.

Just before Christmas, the consultancy invited their many thousands of market contacts and their client base to respond to their survey. Rod Cooper, partner at Cooper Wood & Associates, drew upon this theme of the Roaring Twenties and the Great Depression.

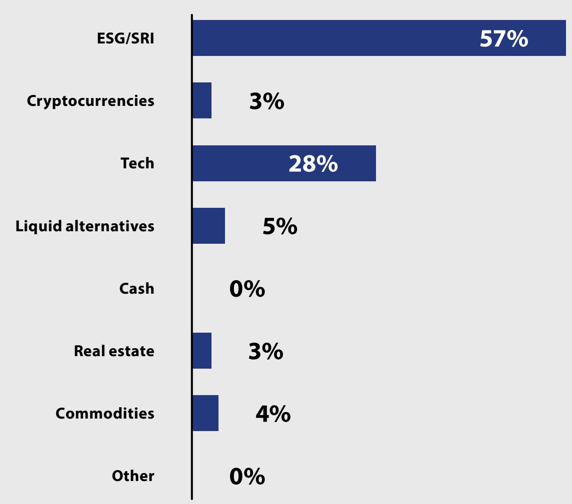
The survey aimed to gauge the industry with a quick litmus test on a number of broad themes.

Cooper says: "Our survey produced some interesting themes with respondents anticipating both the warm sun of a market upswing, combined with the cold winds of fee pressure and cost cutting. We were thrilled with the great response and it is clear that trends are emerging in terms of the move to environmental, social and governance (ESG) investments, increased technology, remote working, and market optimism."

ESG

The survey found that ESG will be a dominant theme in 2021. When asked which sector UK investors' most likely to be focusing on this year, 57 per cent of respondents believe that the focus will be on socially responsible investments in 2021 **[Graph 1]**.

[Graph 1] Investments: Of the following, which sector will UK investors most likely to be focusing on in 2021?



After ESG and socially responsible investments, 28 per cent predicted technology would be an area of focus in 2021 for UK investors.

Liquid alternatives (5 per cent), commodities (4 per cent), real estate (3 per cent) and cryptocurrencies (3 per cent), were also suggested as areas of focus for 2021.

According to Cooper, the industry challenge will be to satisfy investor appetite for socially responsible investing/ESG products, while simultaneously ensuring compliance with it.

Cooper says: "EU regulations, UK stewardship codes, and board scrutiny will need to be satisfied, and we anticipate UK regulators will be looking to firms to incorporate ESG compliance as part of existing oversight."

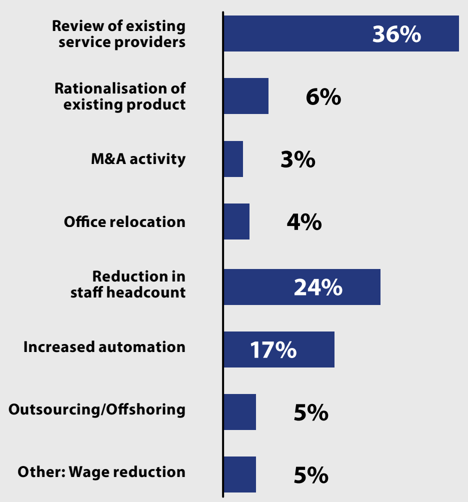
EU regulations, UK stewardship codes, and board scrutiny will need to be satisfied, and we anticipate UK regulators will be looking to firms to incorporate ESG compliance as part of existing oversight

Cost management

Another dominant result identified in the survey was the cost management will get tougher for 2021. Survey participants were asked to identify the areas of main focus when it comes to cost management.

The results show **[Graph 2]** that reviewing existing service providers (36 per cent) will be a key area.

[Graph 2] Cost Management: When managing costs, which area is likely to receive most focus?



Also high on the cost management agenda, was a reduction in staff headcount (24 per cent), increased automation (17 per cent), and rationalisation of an existing product (6 per cent).

Respectively, some 5 per cent noted outsourcing/offshoring and wage reduction as areas most likely to receive focus in 2021. Areas with the least amount of focus included office relocation (4 per cent) and mergers and acquisitions activity (3 per cent).

Cooper, partner of the independent consultancy, says he expects there to be a concern about headcount reductions in 2021 especially as many firms said there would not be any in 2020 due to COVID-19.

But headcount pressures did not disappear, so 2021 "will almost certainly be a tough year", according to Cooper.

Fellow co-founder Tim Wood adds: "Cooper Wood & Associates has often said that opportunities exist to drive better value and better pricing from service providers - and this is true now, more than ever."

"Whatever you are paying is probably too much and to manage costs down, this is an obvious area to look at — but only if you know where and how to look, and how to ensure a better deal without harming service quality. Changing service providers is only really an option if you know who can provide a better deal and better value overall," says Wood.

Compliance

Compliance was another key aspect of the survey. Cooper Wood & Associates asked clients what they think is likely to be the main compliance focus area for firms in 2021.

The results revealed **[Graph 3]** 42 per cent said operational resilience would be a main compliance focus area, while some 21 per cent cited remote working risks.

Meanwhile, respondents also listed ESG and SRI compliance (17 per cent), value assessment (15 per cent), and the investment firms prudential regime (5 per cent) as a focus area.

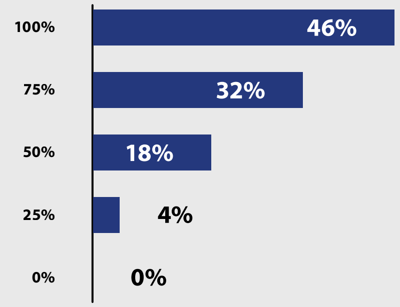
Cooper comments: "The Financial Conduct Authority's ongoing investigation into Woodford was viewed as having the most impact on investor protection.

Absorbing compliance costs will continue the theme of managers having to 'do more with less'.

ESG compliance, operational resilience, value assessment, and remote working risks were all viewed as the compliance focus areas for 2021."

[Graph 3] Compliance: What is likely to be the main compliance focus area for firms in 2021?

[Graph 4] What percentage of your time will you personally be working from home at the beginning of 2021?



Work from home

2020 really prompted a new way of working as many people migrated to working from their office to their home. This is still going to continue in 2021, especially with the UK in full swing of its third lock down. Even before the latest lockdown, Cooper Wood & Associate revealed all of the respondents said they expect to be working from home either full time or most of the time in 2021.

The survey shows **[Graph 4]** 46 per cent of respondents see themselves working from home 100 per cent of the time, while 32 per cent think they will work from home 75 per cent of the time, 18 per cent think they will work from home 50 per cent of the time, and 4 per cent predict they will work from home 25 per cent of the time for 2021.

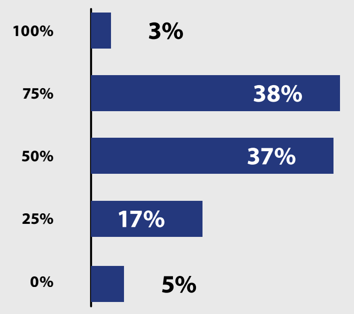
In contrast, just 3 per cent think they will work from home all of the time for 2022, while 38 per cent believe they will work from home 75 per cent of the time and 37 per cent say 50 per cent of the time **[Graph 5]**.

Wood comments: "This may be no surprise, but what is particularly interesting is that more than three quarters of the respondents said they expect to be working remotely more than 50 per cent of their time even in 2022."

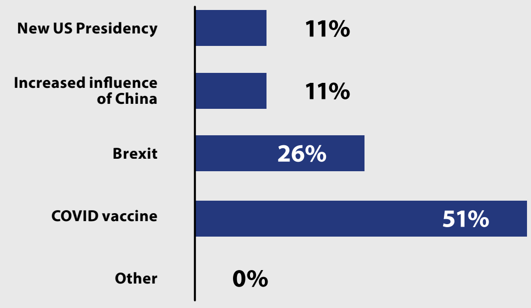
This may have knock-on consequences as the majority of respondents also anticipated further headcount and wage reductions in 2021 as a result of increased automation and cost pressures.

"This means that highly paid employees who have proven that their role can be delivered remotely from any location are likely to be particularly exposed as firms look for immediate areas to cut costs," explains Woods.

[Graph 5] The new normal: What % of your time do you think you will personally be working from home at the beginning of 2022?



[Graph 7] Geopolitical: What event is likely to have the most positive impact to markets and the global asset servicing industry in 2021?

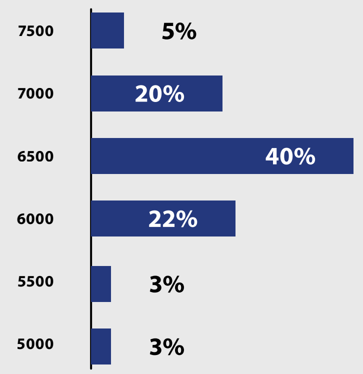


Market optimism

Despite indications of fee pressure and cost cutting, the survey did highlight that market optimism is bright.

In November 2020, the Financial Times Stock Exchange 100 Share Index (FTSE 100) was at 5,600. FTSE tracks the 100 largest public companies by market capitalisation that trade on the London Stock Exchange. Experts say the FTSE 100 represents more than 80 per cent of the LSE's market capitalisation.

[Graph 6] The Markets: At the beginning of Nov 2020 the FTSE 100 was 5600. What is the FSTE 100 likely to be on 1st June 2021?



Participants were asked what they thought the FTSE would be by June 2021 **[Graph 6]** and 65 per cent said that the FTSE would be higher than 6,500 with 25 per cent of those saying it would be above 7,000.

Wood notes: "Given that the FTSE is already close to 7,000 in the first few weeks of January, our respondents' optimism is well founded and the 5 per cent who said it would be above 7,500 may well prove to be correct."

"Interestingly, passive investing may be out of vogue in 2021, and active exchange-traded funds and UCITS are clearly the product of choice, according to more than a third of respondents," says Woods.

When asked what would drive market optimism **[Graph 7]**, 77 per cent cited that the COVID-19 vaccine and Brexit would have the greatest influence, while others said a new US president would do the trick.

One of the survey's respondents, a leading global industry figure, concludes: "I think digital will be a key theme of 2021.

There are plenty of fintechs to support digital client onboarding and an all-round better client experience.

This is where cost and risk can both be mitigated, at the same time as enhancing relationships with the end-investor."

A green future

Maddie Saghir reports

It is key for firms to consider ESG into their strategies, but problems around data and interpretation on different shades of green threaten to get in the way. With new developments and the upcoming SFDR, industry experts are optimistic about ESG for 2021 and beyond

It is well known that environmental, social and governance (ESG) and socially responsible investing has become widely recognised in the financial services industry over the last few years. An asset servicing survey from Cooper Wood & Associates affirmed this recently **(see page 18)** as the figures revealed that 57 per cent of respondents named ESG and socially responsible investing as the sectors they think UK investors will most likely be focussing on in 2021.

ESG can be referred to as an umbrella term for investments that seek positive returns and long-term impact on society, environment and the performance of the business. Sustainable finance includes a strong green finance component that aims to support economic growth while reducing pressures on the environment, addressing greenhouse gas emissions, tackling pollution, minimising waste and improving efficiency in the use of natural resources.

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Experts say ESG measurement and analysis has been embraced by public markets and listed businesses over the last few years, however, in 2020 their counterparts in the private markets have taken notice.

"Under growing pressure from institutional investors and regulators, and as evidence for the link between financial performance and ESG factors grows, ESG has become more than just a 'box ticking' exercise for private markets," says Andy Pitts-Tucker, managing director Apex ESG Ratings & Advisory.

Participants can expect the developments in the ESG space to continue to grow in 2021 and beyond despite challenges along the way.

Increased demand?

Although it has been highlighted that there is not a notably increased demand for ESG fund services for the time being, the pandemic has not affected the appetite for ESG investing and ratings in a negative way. The pandemic has sharpened the focus on risks of all types.

At PwC, Olivier Carre, financial services leader, believes that demand for ESG fund services is materialising in somewhat of a cycle, in which it is currently too early for a notable increase in this demand to take place.

The cycle consists of three steps: risk, accounting, and annual reports.

At this stage, demand appears to be limited to data and risk management services relating to ESG related criteria and ESG related instrument criteria.

That being said, experts expect to see this demand for ESG-oriented fund services to extend to accounting and valuation in the future. Carre predicts this demand extending also to annual reports.

"Crucially, once we come out of the other side of the crisis, funds are in a unique position to act as change agents to build back stronger economies, and ESG considerations must play an integral part in this rebuilding," adds Apex's Pitts-Tucker.

In terms of the product offering, investors want their service providers to offer ESG analytical and portfolio reporting capabilities that sit alongside the other more traditional metrics that are part of the reporting.

A specific example of this is the European Union's new Sustainable Finance Disclosure Regulation (SFDR), which comes into effect in March 2021. SFDR imposes new transparency obligations and periodic reporting requirements on investment management firms at both a product and manager level.

ESG developments and strategies

Despite there not being a spike in demand for ESG fund services, the demand for more sustainable products has increased across all industries. This means that firms are having to consider ESG in their strategies, moving it up towards the top of their agenda.

Investors, therefore, need to be aware of the trends, risks and opportunities in this space. For example, assets will reprice and capital will be deployed recognising embedded ESG risks and using the lens of stakeholder returns, not just shareholder returns.

Experts stress that it is imperative that firms consider ESG in their strategies.

Carre explains that ESG represents the opportunity of the century for these firms to make a positive contribution to the society in which they operate, all while aligning with the needs and wants of the investment ecosystem.

Pitts-Tucker adds: "The dominant trend driving this appetite for ESG transparency from funds is that their stakeholders are demanding greater non-financial disclosure and ESG reporting, 'pushing' investors towards ESG. Investors such as pension funds are now considering the ESG policies of the funds they invest in, as part of their fiduciary responsibilities to their underlying investors."

He continues: "We anticipate that soon private equity firms will be required to pass an ESG screening as part of their vetting process as their investors demand more transparency into the funds' ESG policies, procedures as well as the non-financial performance of the underlying portfolio assets."

In terms of developments bubbling in this area, 2021 has the potential to be a pivotal year for ESG in its growth trajectory therefore ESG has become a key agenda item as firms consider their ESG strategies.

At Citi, Elree Winnett-Seelig, global head of ESG for markets and securities service, observes a proliferation and evolution of ESG products in the market, beyond simple exclusionary screens in equities.

According to Winnett-Seelig, ESG is reflected in all of the asset classes and the services asset managers and owners want, which is natural given the increased ESG sophistication of clients, as well as the level of ESG integration in their platforms and businesses.

In terms of products, Citi has also identified a dramatic uptick in interest in thematic funds and fixed income strategies from its institutional clients.

"Many of our clients are also starting to look at 'dual-return' strategies where they seek not just financial return, but also ESG outcomes," says Winnett-Seelig.

Aligning ESG requirements with investment goals

Amid increased interest and growth around ESG, there are also notable challenges that UK and European investors face when it comes to sustainability and aligning ESG requirements with their investment goals.

Different shades of green; the varied definitions and objectives of ESG, have caused a lack of harmonisation of ESG policy and regulation. However, this is where SFDR will prove to be advantageous.

One significant issue, as Winnett-Seelig points out, is the UK's possible divergence from the EU ESG taxonomy/disclosure rules which will add complexity to comparing products and performance.

"That being said, the UK's new pension rules are supportive of ESG and climate change because they require that trustees outline their approach to engagement with and voting of their shares in investee companies, and how they take account of financial material factors, including ESG and climate change considerations, in investment decision making," says Winnett-Seelig.

In addition, there are data quality issues, problems with resourcing and scaling ESG integration across the business plus the rapid evolution of ESG in the market, and product availability challenges too.

Discussing data issues, Carre explains: "Investors are having to synthesise and interpret a growing range of disjointed information: such as various national requirements, private sector initiatives and voluntary ESG principles. For many investors, this lack of ESG comparability represents a significant barrier to entry."

A recent PwC survey found that 89 per cent of the institutional investors want more regulatory reporting for their ESG investments from the asset managers with which they invest.

Data inconsistencies and shortcomings represent a similar challenge within the retail segment, limiting the uptake of ESG investment.

In the survey of over 800 retail investors, over one third of those who do not consider ESG factors in their investments cited ambiguities surrounding the objective evaluation of the ESG impact on investments as their reason for not doing so.

Growth in 2021 and beyond

Despite the challenges, industry participants are optimistic this space will continue to expand in 2021 and over the next few years, with ESG becoming the new business-as-usual.

Experts predict supranational bodies and economic unions are introducing new regulation which will define the space in the years to come.

"Notably, we are now less than four months from the introduction of the EU SFDR in March 2021. This legislation introduces the regulatory imperative for funds to better understand the ESG status of their portfolio investments and will require fund managers to report on the sustainability characteristics of their investments," says Apex's Pitts-Tucker.

He adds: "From what we have seen, there are some businesses which are well set up and focused on this regulation, however, the bulk are nowhere near ready, both in terms of really understanding what it means and being able to comply with the reporting demands."

In line with SFDR, ESG Disclosure is set to improve, alongside more sophisticated artificial intelligence, which will enhance data quality on which industry participants make decisions, including time series linked to sustainability outcomes.

"With experience and better data, products and strategies will become more sophisticated, moving from applying exclusionary screens to or reweighting existing indices to bottom-up portfolio construction to achieve an outcome," says Winnett-Seelig.

Carre concludes: "We [PwC] believe that ESG will represent the fastest growing area within the Asset and Wealth Management industry this decade and stands to redefine the entire European fund landscape. The implementation of the EU Action Plan and SFDR will see a significant impact not only on products, but also financial agents and fiduciary investors."

Capco has appointed James Arnett as managing partner for the Asia Pacific region, responsible for the firm's business across Hong Kong, Singapore, Thailand and Malaysia.

Arnett will be based out of Capco's Hong Kong office, and will relocate from London once travel restrictions are lifted.

With more than 20 years of experience in consulting, banking and technology, Arnett previously led and built out Capco's UK finance, risk and compliance practice, most recently working as head of the UK capital markets practice.

He joined Capco in 2011 having held roles at IBM Global Business Services, Capita, Hewlett Packard Enterprise and The Co-operative Bank.

Arnett explains the region continues to be a centre for innovation and dynamism when it comes to digitalisation and transformation within financial services.

He says: "There are significant opportunities at hand around virtual banking, data, insurtech, emergent technologies including cloud and machine learning, and the enhancement of user experiences and customer journeys. I look forward to working with our Asia Pacific clients to help them re-engineer and grow their businesses."

Sova Capital, an independent brokerage with a focus on emerging markets, has hired Fraser Smith as chief financial officer (CFO).

Smith joins from HSBC and brings experience as a global financial director with expertise in asset management, global banking and markets, wealth management and securities services.

During his 12 year tenure at HSBC, he held several roles including his most recent role as CFO of securities services. He originally joined HSBC as global financial controller in asset management, then head of business performance for global banking and markets.Prior to that, Smith was a vice president at Merrill Lynch and previously worked at Arthur Andersen as a corporate fraud investigator.

Sergey Sukhanov, CEO of Sova Capita, says: "Fraser Smith's financial expertise and experience within large global financial organisations strengthens our senior team and provides the financial support that Sova Capital will require to drive our ambitious growth agenda and hit our strategic and financial objectives."

Smith comments: "It's very exciting to join Sova Capital, where I am looking forward to a dynamic environment where my experience will support Sova as the firm achieves its strategic ambitions."

Apex Group, a global financial services provider, has added Rosie Guest, chief marketing officer, and Vikita Patel, chief human resources officer, to its executive committee.

Guest has led and scaled Apex's marketing and communications function for over six years, during which time she has repositioned the group to reflect its growth and integration of fifteen acquisitions. In her role, she also leads a central global team responsible for all internal and external marketing and communications for Apex and its subsidiaries. Meanwhile, Patel has steered and grown Apex's human resources team since joining the group in 2018 from Deutsche Bank.

Leveraging over a decade of experience within the human resources (HR) profession in the financial services industry, she has developed the HR agenda to support Apex's strategic priorities.

Apex's executive committee spans five countries and leads a global team of over 4,000 employees.

Lawrence Au, former head of Asia Pacific (APAC) for BNP Securities Services and general manager, APAC at Northern Trust, has joined The Securities Services Advisory Group (TSSAG).

Based in Hong Kong, Au is an independent consultant based and offers consulting services on securities services, custody, fund administration, pension funds and fiduciary services.

Au has more than 35 years of industry experience, including 16 years as Asia Pacific CEO of BNP Paribas Securities Services and Northern Trust. He partners with clients to support their strategic planning, market opportunity analysis, business plan implementation, media profiling, and fiduciary needs in Asia.

Viraj Kulkarni, CEO of TSSAG, says: "I have known Lawrence for many years and am delighted that he has chosen to join our organisation."

"He brings a wealth of knowledge of the securities services industry both in APAC and further afield and an excellent network of relevant contacts which will be of great benefit to his fellow TSSAG members around the world."

TSSAG launched in August last year with the aim of connecting industry professionals from various global bases through a forum of regular interaction and communication.

The group is a network of independent firms, part of the securities services industry but also with expertise in investor, issuer, fund and capital market infrastructure services.

Sanne has promoted Peter Nagle from global head of client growth to the role of chief commercial officer.

In his new role, Nagle will be responsible for client service delivery across all jurisdictions and the firm's continued commercial development.

Nagle has worked at Sanne since 2018 where he joined to lead the Mauritius business. Prior to Sanne, he had various roles within the alternatives industry, across different jurisdictions and products.

Martin Schnaier, CEO at Sanne says: "Peter Nagle brings a wealth of experience and a successful track record to the role of chief commercial officer.

He will be instrumental in Sanne's continued delivery of professional, high quality client service that is underpinned by technology."

Crestbridge has appointed Alex Di Santo as group head of private equity.

In his new role, Di Santo is responsible for the development and implementation of Crestbridge's private equity fund services strategy. He will also assist in raising the business' profile in the private equity fund services space, as well as targeting new and important revenue opportunities.

Di Santo joins with more than 17 years of experience in the financial services industry, of which, 14 years have been focused on private capital fund administration.

Previously, he worked as director and Jersey head of private equity for a global institutional fund administration business where he was responsible for driving the development, implementation and evaluation of the funds service line strategy in Jersey.

Fund administration services for private capital is a highly active and exciting space, according to Di Santo, who says: "I am delighted to be joining Crestbridge, one of the fastest growing players in the industry globally."

Crestbridge has also named Michael Johnson as group head of institutional services.

Johnson will lead the firm's private equity, real estate, management company, corporate and governance service teams across seven locations.