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ISSUE 289 27 April 2022

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Ready for Next

Linedata opens new office in Mexico City

Linedata has opened a new office in Mexico, expanding its presence in the region. The opening of the new office in Mexico City is part of Linedata's continued development strategy in North America after it opened a new office in Charlotte, North Carolina in January.

The new team will reinforce proximity to major customers including NR Finance México and Mexico's automotive captive offering — financing solutions for the Renault-Nissan-Mitsubishi Alliance. In addition, the new office will enable Linedata to further expand throughout the North America region, providing innovative solutions to the credit and investment management community.

Linedata says it expects to scale the Mexico City office rapidly with talent and expertise ranging from sales, project management, and financial technology specialists, to support existing and new clients.

To date, Linedata also has offices in Boston, New York, Seattle and Toronto.

Jamil Jiva, global head of business development at Linedata, says: "Linedata has been serving customers in Mexico since 2018. As we look to accelerate our growth locally, providing broader access to state-of-the-art technological solutions, and services to all Mexican financial companies, has become a key priority for Linedata."

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Published by Black Knight Media Ltd

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RBC I&TS named custodian by Evermore Capital

RBC Investor and Treasury Services (RBC I&TS) has been named custodian by Evermore Capital on Canada's first target date exchange-traded funds (ETFs). The relationship with Evermore, a Canadian-based asset management company focused on retirement ETFs, will see RBC I&TS provide fund accounting and ETF fund administration services.

Speaking on the announcement, Paul Folk, head of asset managers at RBC I&TS, comments: "We are delighted that Evermore has selected RBC to manage its evolving ETF needs. We believe that our understanding of Canada's burgeoning ETF marketplace, coupled with our service offering, will enable us to provide them with a distinctive client experience." ■

BBVA's Garanti selects Temenos Banking Cloud

Garanti BBVA International (GBI), part of global financial group BBVA, has selected Temenos to modernise its core banking systems. As part of the mandate, GBI will move to the cloud utilising the Temenos Banking Cloud as a system of record for its retail and corporate business in the Netherlands and Germany.

Temenos banking services, including general ledger, accounts, collections, data analytics and payments, will underpin the bank's retail and corporate banking business. With an application programming interface-first architecture and an ecosystem built around it, the Temenos Banking Cloud will also allow GBI to bring innovation to market faster.

GBI has embarked on a cloud-first strategy and was one of the first banks in the Netherlands to fully use the public cloud for bank processes and client databases. GBI serves retail, corporate and institutional clientele and offers financial solutions in trade and commodity finance, corporate

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banking, cash management and global markets sales.

Marco Witteveen, chief operating officer and chief information officer at GBI, comments: "We knew we needed a next-generation core to support our growth and product innovation ambitions, and Temenos was the obvious choice. On Temenos Banking Cloud, we can connect to the financial ecosystem and bring new products to market at a lower cost to build a sustainable business and with the flexibility to adapt to new opportunities."

Jean-Paul Mergeai, president of Europe, Middle East and Africa and Asia Pacific at Temenos, says: "Our platform is powering a world of banking that creates opportunities for everyone. As part of the BBVA group, GBI is a pioneer setting the standard for digitisation in the industry, and we are delighted to be part of their journey."

In recent weeks, Dutch bank ABN AMRO has also signed a multi-year subscription extension with the software company to support customer growth and business expansion on the Temenos Banking Cloud.

FundGuard closes Series B funding round

The SaaS investment management and asset servicing platform FundGuard has closed a US$40 million Series B funding round.

The funding round is part of FundGuard's effort to accelerate the growth of its artificial intelligence (AI)-powered investment management enterprise SaaS platform.

The investment will drive product development to support FundGuard's partnerships with several of the large fund administrators and asset managers, in addition to meeting increasing demand from alternative funds and insurance companies.

The most recent investment round included Citi and State Street, who joined initial investors Blumberg Capital, LionBird Ventures, Team8 Capital and others, to back the company's technology approach to asset servicing.

This round of financing comes six months after FundGuard appointed John Lehner, former State Street and BNY Mellon executive, as its president.

Commenting on the funding round, Lehner says: "By harnessing the cloud and AI, our technology enables our clients to be more cost effective and offer new and innovative products at scale.

"This new investment will allow us to accelerate our growth and continue to attract top talent so that we can meet the demand we are seeing from asset managers and service providers who realise their legacy technology, simply put, costs too much and cannot do what they need it to do."

Clearstream partners with FNZ to launch new business intelligence solution

Deutsche Börse Group's post-trade services provider Clearstream has partnered with FNZ, the global wealth management platform, to launch a new business intelligence solution.

The new solution will provide asset managers with global and regional intelligence to analyse market trends, better understand market behaviour and improve decision making around fund distribution. This service will provide asset managers with a 'single source of truth', aggregating data and insights to unify sales, product, risk, compliance and operational oversight functions under a single view. In addition to the business intelligence solution, FNZ and Clearstream also aim to deliver efficiency gains to asset managers' European fund distribution operations, enabled by Clearstream's integrated, end-to-end fund dealing and custody solution, as well as FNZ's wealth management platform.

The partnership is part of a wider effort to significantly increase transparency for the UK and European asset management industry at a time when investment distribution information is fragmented and there is very little connectivity across the industry — meaning asset managers need to seek information from wherever they distribute funds.

Philippe Seyll, CEO at Clearstream Banking S.A. and head of investment fund services, comments: "We are thrilled to have FNZ as a strategic partner to our leading Clearstream funds services." ■

The extended agreement includes access to Temenos Continuous Deployment as-a-service for the bank's 22 DevOps teams.

ABN AMRO Bank is a longstanding customer of Temenos, running its international corporate banking, private banking, and global international payment on Temenos' open platform.

Friso Westra, head of IT development core banking and wealth international at ABN AMRO Bank, says: "With Continuous Deployment on the Temenos Banking Cloud, we empower our DevOps teams to develop new services and get them to the market much faster. We see a future of banking fully on the cloud, and this further collaboration with Temenos takes us one step closer to that vision."

Max Chuard, CEO of Temenos, comments: "We are excited to build on our close working relationship with ABN AMRO Bank as it continues to embrace the cloud and our open platform to power new growth opportunities."

State Street adds fund services to its custody offerings for clients in Mexico

State Street has launched an integrated fund trading solution, along with its custody offering for clients in Mexico. The secure online platform will allow for access to a range of investment funds in collaboration with Clearstream, via its Vestima platform, providing fund order services through a single-entry point. The expansion in Mexico will also support connectivity with a wide range of transfer agents to meet clients' unique requirements.

Additional product features include a infrastructure underpinned by SWIFT, real-time monitoring of order status, a client service team, registration services and account opening support by Vestima.

State Street's first live client in the region is Afore Profuturo, a retirement savings company.

Marcia Rothschild, head of Latin America for State Street, says: "We are very pleased to announce this new capability for our clients. This trading solution is a critical step towards further expanding our products and capabilities in Mexico."

Antonio Sibaja, senior portfolio manager at Afore Profuturo, says: "We are delighted to be the first client onboarded to State Street's new trading platform. The new function will allow us to work more efficiently to give our clients a better pension and a better future." ■

DTCC and Digital Dollar Project test CBDC in trade clearing and settlement

DTCC has released a prototype to examine how a central bank digital currency (CBDC) may operate in the US clearing and settlement infrastructure. Labelled Project Lithium, the prototype will provide a cost-benefit analysis of employing a CBDC, supported on distributed ledger technology (DLT), in clearing and settlement activities.

In developing the prototype, DTCC has partnered with The Digital Dollar Project (DDP), a not-for-profit organisation, led by US regulators, that is backed by initial funding from Accenture and with input from leading technology experts. DDP is launching a series of retail and wholesale test cases that evaluate how a CDBC will operate in different financial and social environments.

DTCC expects to draw on the findings from Project Lithium to define the future direction of its clearing and settlement infrastructure strategy. The project also forms part of a wider US government initiative that explores the potential application of a CBDC in the US monetary and payments infrastructure. Among other use cases, the Project Lithium prototype will assess how a CBDC could facilitate atomic settlement — conditional settlement established through simultaneous delivery of assets against payment (DvP). The aim is to demonstrate direct, bilateral DvP settlement of cash tokens between market participants in real-time.

DTCC explains that as markets evolve and payments become increasingly digitised, use of physical US dollar currency is

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declining and adoption of tokenised securities, supported on DLT, is gathering momentum. A CDBC would be issued and backed by the US Federal Reserve, the US central bank, just like printed currency.

Commenting on the project, Jennifer Peve, managing director and head of strategy and business development at DTCC, says: "DTCC has for several years been experimenting, engaging and leading the conversation around the digitalisation of financial markets, and Project Lithium will lay the groundwork for the financial community to better evaluate the implications of a CBDC across the trade lifecycle, as interest in this style of funding continues to grow."

Four US-based companies come under IQ-EQ umbrella

US-based companies Blue River Partners LLC, Constellation Advisers LLC, Concord Trust Company and Greyline Partners LLC have rebranded under IQ-EQ. The series of rebrands are part of IQ-EQ's acquisitive US strategy — meaning IQ-EQ can now offer a range of investor service offerings in the US region including: fund administration services, middle-office and trade support, tax consulting and compliance, and regulatory compliance solutions, among other offerings.

Commenting on the rebrand, Mark Fordyce, IQ-EQ's regional CEO for the Americas, says: "For our US business, this rebrand especially highlights the incredible progress we have made since setting off on this journey back in 2020. We have significant market ambition in the US and look forward to exciting times ahead for our 550-plus team."

Mark Pesco, group CEO at IQ-EQ, comments: "This rebrand, which brings together four market-leading providers under the IQ-EQ umbrella, represents a key milestone on our journey.

"I am immensely proud of what our US team has achieved as four individual businesses and cannot wait to see what they can achieve as one IQ-EQ team." ■

Fortune favours the bold

Jenna Lomax talks to the industry's payments experts to analyse why established banks and vendors — who manage to keep up with the pace of change in the modern payments environment — will be the most fortuitous in the years to come

With the US and EU set to mark their five-year anniversaries for real-time payments and SEPA Instant Credit Transfer Scheme respectively this year, it would be an understatement to say that the possibilities for the payments industry have developed significantly in recent years.

The technology used to enhance payment speed and velocity has catapulted and influenced international interest — by its nature, increasing cross-border initiatives. Gone are the days of exclusivity to European and US markets, with Asia now providing countless new payment possibilities, which has helped to level out, but certainly by no means lessened, western effort or interest.

However, as international interest levels up, the obstacles that banks, vendors and fintech companies are facing at the present time are doing anything but levelling out — on the contrary, they are escalating.

Regulatory and settlement time compressions — such as the move to T+1 — affect the payments sector just as much as any other major asset servicing area, even though the world of payments is sometimes considered a topic on asset servicing's periphery.

Payments can also be considered to be a victim of their own success, with the real-time pressures that come from the nature of increasing instant and cross-border payments — particularly in the last five to 10 years.

More broadly, with industry barriers posed by the need for real-time fraud intervention, anti-money laundering screening, or struggles associated with new versions of ISO 20022-compliant payments, the hurdles are many, but the clear answers to overcome them are often but a few.

What is clear is that artificial intelligence (AI) will play its part in payments in the future, with The Payments Association predicting that the AI market will hit US$360 billion by the year 2028. The forecast, which was published in November 2021, outlined how AI is being used in the payments sector. But does this prediction just create one more pressure on an already toppling pile of others? The addition of more AI initiatives reflects the need for added security in payments. The Payments Association's forecast found that 92 per cent of consumers expect a fast, frictionless experience, while also getting one that is as trustworthy and secure as possible.

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Though well-placed investment in modern AI systems will, in the majority of cases, see any financial service thrive, it goes without saying that the financial industry has never started on an even keel. Insert here the sociological question of cultural and environmental factors.

Essentially, the big established banks that have the funds will have the luxury to outsource and invest in AI and the cloud, while sparing no costs on research and development in any other areas that may need the funding for efficiency and improvement.

Small to mid-sized banks, vendors or fintechs may not be able to afford the same luxuries — or more accurately put, the same necessities — creating a myriad of problems.

The modern way: ISO 20022

In a recent Volante survey, 50 per cent of small European businesses said they now make cross-border payments, and about 85 per cent across segments of all businesses, as globalisation continues to drive a higher volume of cross-border payments.

In the global survey, conducted in collaboration with Aite Novarica Group, Volante attributed the increased levels of cross-border payments over the last five to 10 years to expectations of a better payments experience; the significant revenue to be gained by providing cross-border capabilities, and the utilisation of the ISO 20022 messaging format.

As the revenue potential from cross-border payments continues to rise, and the options available to make those payments evolve, banks need to be aware of the competitive landscape, available technology options, and how to provide a robust offering that captures the growing market of businesses that must make cross-border payments, Volante outlined when the survey was published in March 2022.

In that same month, Volante Technologies launched the Volante ISO 20022 Service in an effort to simplify the complexity of ISO 20022 modernisation for financial service firms involved in the processing of payment messages.

The Volante ISO 20022 Service contains microservices-based application programming interfaces (APIs) for initiation, transformation, and translation of ISO 20022 messages to and from legacy formats to help organisations tackle the challenges of ISO 20022 upgrades.

Giving a wider view of the state of affairs for instant payments and how he sees them developing, Ainsley Ward, vice president of payments solutions at CGI, outlines: "With many in our industry still struggling with the changes required for supporting ISO 20022 payments, the further upheaval required to add the required capabilities [needed for instant payments] is likely a step too far at this point.

"Consequently we will likely see either increased levels of outsourcing for payment systems and related platforms, or banks pushing participation into the future," he adds.

Clare Rhodes, head of sales and marketing at Identitii, indicates instant payments will not be streamlined, or indeed refined, until the industry has access to "instant know-your-customer (KYC) and instant information sharing along the payment chain".

"There needs to be a level of trust across borders and between institutions," she affirms. "What would really change the game for instant payments is an internationally recognised beneficiary store, which is 'trusted' by all parties on the chain. It is an idea that has been thrown around for a while but has not got off the ground."

The benefits of the cloud

Until a quasi-utopian beneficiary store exists for KYC purposes, outsourcing has alleviated some other payment-related burdens in recent years, and will for the foreseeable future continue to be the point of call for both established and start-up institutions.

"Technology providers who have a focus in one area, are going to be able to fix things faster and are likely to be more proficient at that one thing than internal technology teams who have a broad remit and where every project must get in line according to priority," affirms Rhodes. "Best of breed is a term for a reason."

Though 2022 has not long reached the end of its first quarter, a considerable amount of mandates have already been signed this year to help in-house staff or clients with ISO 20022 compliance. There has also been a significant increase in the digitalisation of payments processes, with countless cloud-as-a-service models on offer — but, again, to those with the resources to afford it.

In February, FV Bank, the US bank for digital asset banking and custody services, introduced its first API to advance bank automation and integration for its clients' operations, enabling firms to scale their operations through automating data flows and payments systems. The following month, Volante Technologies and KPMG partnered to offer financial institutions ISO 20022 and real-time payments readiness diagnostics.

The strategic partnership offers banks cloud-native payment solutions and related advisory services, enabling banks to modernise and speed up their payments processes and operations. However, Vinay Prabhakar, vice president of global marketing at Volante, outlines that payments, though becoming more international by their own design, are still part of a regional and strategic game.

He says: "Any time we witness disruptive or transformative change in an industry it creates hurdles for some participants but clean runways for others. In some regions there is concern about regulatory compliance with regard to cloud and that can hold banks back. There are parts of the Middle East and Asia that are still in the evaluation phase, but it is clear that it is a matter of "when" rather than "if" those restrictions are lifted. When those gates open, institutions that have been thinking in terms of agility and innovation and have already moved to architect their payments infrastructures in a cloud-ready way, are the ones that will take immediate advantage," Prabhakar adds.

Real-time data and regulation

As cloud-as-a-service is being used as an advantageous asset in itself, so is data — particularly real-time data. Many countries are developing real-time payment instant schemes in response to customer expectations for the same seamless, real-time experience for payments.

"Institutions that have been thinking in terms of agility and innovation and have already moved to architect their payments infrastructures in a cloud-ready way, are the ones that will take immediate advantage"

Vinay Prabhakar, Volante

This has been a move heavily encouraged by the logistics necessitated by the COVID-19 pandemic, as financial institutions have had to turn themselves into remote organisations with a focus on straight-through processing.

Roberto Catanzaro, chief transformation and strategy officer at Italian payments company Nexi, outlines: "Real-time data is at the very basis of the evolution of payments' players from mere technology providers to trusted business partners. Indeed, nowadays, merchants are increasingly relying on data-driven services provided by their acquirers and point of sale providers to manage customer relations and business operations."

Real-time data enhances and creates a pathway for real-time payment schemes. Volante's research with Aite Novarica Group shows that in 2014, there were only 14 local real-time payment schemes globally, whereas, currently, that number is just over 60, with 20 of those networks launching in the last 18 to 24 months.

Volante highlights that along with speed of payment settlement, these networks have "spawned innovation in improved data".

However, by their very nature payments are at risk to financial crime and on an ever-present, magnificent scale, even more so with the external pressure of real-time expectancy, cutting the times for necessary checks and balances.

Rhodes indicates: “Until there is a way to create a single global KYC regulatory framework, or there is enough trust around financial crime compliance processes between countries and organisations, there will always be payments that get held up.”

She adds: “To be comfortable with instant payments, payment processors need to be able to assess the level of risk they are comfortable with and decide whether a certain transaction, between certain parties and certain currencies or jurisdictions, is within their risk tolerance. The real-time nature of ‘instant’ makes this incredibly difficult.

“While not a regulation, ISO 20022 will be a game-changer here because of the ability to include more information in each message. From a regulatory point of view though, ISO 20022 does impact how financial crime reporting is done.”

All change

Another area that attracts financial crime is unregulated crypto assets. Due to their having little to no regulation in the traditional market because of their newness, it has been well documented they are a keen target for criminals — but how does this affect payments directly?

According to the UK Financial Conduct Authority chair, Charles Randell, “there are no assets or real-world cash flows underpinning the price of speculative digital tokens”, he warned in a published speech last year. “Even the better-known ones like Bitcoin, and many cannot even boast a scarcity value,” he added.

In a similar vein, but with more power at his disposal, US President Joe Biden signed an executive order on 10 March 2022, which highlighted the US Government’s commitment to ensuring that virtual assets and cryptocurrencies will be subject to further compliance measures with appropriate regulations and supervision.

Such changes to policy like Biden’s are, Rhodes says, “indicative of the fact new payment flows are coming at us hard and fast and regulators are doing their best to ensure we continue to do what we can to prevent financial crime”.

Volante’s Prabhakar expands: “With the volume of cryptocurrency trading being currently tilted in the direction of speculative trading, eventually the percentage of volume used for payments will rise and banks will be required to consider them as another payment type.”

As with most things in asset servicing, nothing comes in a vacuum — the back-office has never seen so much collaboration with the front and middle offices, and it is Volante’s Prabhakar opinion that the payments industry should not operate in a void, particularly given the unprecedented times we are currently living in.

He says: “In today’s society it is important for payments vendors and their clients to look at their role in the broader economy. This includes their role in expanding financial inclusion and lessening the impacts of systemic crises, such as pandemics and wars.”

As of 1 March 2022, payments giant SWIFT blocked a large number of Russian banks from its international payments system in response to Russia’s invasion of Ukraine after other financial sanctions imposed by the west.

However, speaking on the wider future of payments Nexi’s Catanzaro says the payments industry needs “the integration of different offerings and channels to create ecosystems of services that can satisfy a wide range of clients’ needs”.

“To achieve this goal, payment market operators need to keep investing in the development of new technologies and functionalities as well as consolidating industry partnerships in order to enrich their proposition.”

To which CGI’s Ward echoes: “Delivering solutions that facilitate change and are more easily integrated have become must-have traits, and naturally cloud-native support is a must. We all need to accept change as a constant, and plan for it accordingly.”

However, the question remains: can everyone afford the same necessities? ■

Collaboration holds the key

HSBC's Joe Mernagh and Proxymity's Nigel Little talk to Jenna Lomax about their new partnership, SRD II and what's in store for both institutions in the coming months

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HSBC has selected Proxymity's Shareholder ID solution in an effort to meet the compliance requirements for the EU's Shareholder Rights Directive (SRD II). Why did HSBC choose Proxymity in this instance? What did Proxymity offer that other competitors perhaps did not?

Joe Mernagh: HSBC has been processing shareholder identification requests in compliance with the SRD II since September 2020. HSBC developed an in-house vendor solution that met the requirements, but by moving to Proxymity, HSBC has since been able to gain more operational efficiency due to outsourcing to a disclosure specialist.

HSBC has greater flexibility in regards to the forwarding of the shareholder identification request to intermediary clients, and benefits from what we hope will become industry standard management information and reporting.

As an investor, it is important to have a strategic partner in Proxymity. The goal is to utilise Proxymity's full best-in-class suite of products and services wherever applicable to HSBC.

Capital Market Union's 'Action 12: Facilitating shareholder engagement' talks about the evolving nature of SRD II and the use of new technologies to get rid of paper-based prototypes, which are still so prevalent in Europe. There is an active push from the European Commission to move our industry toward platforms such as Proxymity — moving away from everything paper-based.

How will Proxymity's Shareholder ID solution make a significant change to HSBC's SRD II compliance effort?

Mernagh: The only true SWIFT message format that allows clients full compliance is the ISO 20022 series of messages. HSBC has developed the ability to receive, respond and import the various ISO 20022 messages created for the purposes of shareholder identification or SRD II.

However, it was evident in September 2020, and even now, that some intermediaries in the chain were not, or are still not, able to comply with the ISO 20022 messaging standards. Some intermediaries have continued to utilise the old ISO 15022 messaging type to forward requests to HSBC.

In addition, not all of our intermediary clients at HSBC have the ability to consume the new ISO 20022 messages.

By using Proxymity, HSBC has the ability to support both formats, as well as email.

Through this, we are able to offer our intermediary clients the best chance of compliance possible.

The solution has so far had a successful rollout in the UK and Europe, with plans to introduce the solution to clients in Asia very soon. What refinements to the service have been necessary to meet the proxy requirements of Asian markets?

Mernagh: In terms of the product offering, the service itself did not need any refinements at all. HSBC, like most Tier 1 banks, has a robust third-party vendor management process, and of course, we provide custody services to a global client base.

It is important to note that while the use of cloud computing has become more common globally, there are still some domestic markets that require deeper scrutiny with cloud-based technology, and where local regulatory approval is required to roll out a service with that cloud element.

We are working through these approvals and once we have them all, we aim to go live in Asia as well.

HSBC also plans to deploy Proxymity's Vote Connect proxy voting solution later this year. How will this fit into, and improve, HSBC's current meeting announcements and voting processes?

Mernagh: Once HSBC has the full end-to-end deployment in place, our clients will benefit.

Currently, instant message meeting notifications or general meetings to investors can be up to 96 hours lost or stolen.

These artificial deadlines will be replaced by market deadlines, giving more time for investors to make those decisions on those agenda items and true confirmation vote will be received as standard.

In the first instance we will connect to markets, where Proxymity has a complete coverage and a high level of issuer connectivity.

Once the value chain is aligned — essentially once the issuers, the sub-custodians and the custodians are all connected — then these benefits can be fully realised.

Nigel Little: HSBC's goals will align with their markets, but every market has a different nuance. Part of our product roadmap at Proxymity is to expand on our market coverage and our product offering.

The more we do that, and the more issuers we get on board, the more benefit there is for HSBC and also other intermediary clients out there. We are proud of the amount of progress we have made in Europe so far and continue to explore new markets.

How do you anticipate the partnership will progress over the next year to 18 months?

Mernagh: In addition to being a user of Proxymity's services, we are also an investor in the company.

We are continually collaborating with the Proxymity team on the strategic roadmap covering new markets, products and services, as well as leveraging HSBC's network with Proxymity's digital capabilities.

What else has HSBC got in the pipeline for 2022 in terms of product management?

Mernagh: As always in the custody world, there are numerous market changes in revenue rollouts. India's recent move to T+1, Finland's Trace Project and the Uncleared Margin Rules are all key initiatives that we will be working on in 2022.

We recently launched Iceland as a new market in our network. We also have the emergence of digital assets coming down the road, as well as the further reduction of settlement cycles.

The vision of our global product is to provide local market insight to clients, connecting their growth and investment ambitions with future-proof digital data solutions.

An example of that is the further rollout of our digital gold capabilities.

Moving data servicing into Europe, along with the continued provision of multiple digital channels, such as application programming interfaces or evolved platform chat bots, will enable clients to choose how they connect towards providing rich data to enable fees automation on their side.

Our continued objective is to deliver a product proposition across asset classes while supporting market developments. This objective covers both delivery in 2022 and the future developments within the China market, which are always evolving.

What can we expect from Proxymity in developing its proxy and investor communications solutions and extending its market coverage?

Little: For shareholder identification, we are primarily focused on having intermediaries, such as HSBC, utilising our solutions.

But we are also working on a secondary, semi-automated solution, Shareholder ID Access, designed for smaller Tier 2 and Tier 3 intermediaries.

In the industry, we are still finding a lot of disclosure responses sent by unsecure emails, which is really not a good thing for any semi-automated solutions to be doing. With this in mind, we are going to make our Shareholder ID Access solution available to smaller intermediaries who wish to move away from that.

On the proxy voting side, we continue to onboard new issuers globally. On the intermediary side, we want to continue to onboard Tier 1 banks such as HSBC, as well as investor clients on to the Proxymity Vote Connect platform.

To do that we need to keep increasing our market coverage.

Partnering with HSBC has given us the opportunity to evolve — with HSBC we have more weight to enable the development of some of the legacy markets in Europe.

There are many solutions in Europe that still need to recognise the benefits and move into the digital world, which will of course go beyond 2022. ■

Joe Mernagh
Senior product manager
HSBC global banking and markets

Nigel Little
Product manager
Proxymity

Second time around

Brian Bollen asks when we will see AIFMD II and the industry's opinion on the latest European Commission legislative proposals surrounding the directive, first introduced in 2014

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When will we see the Alternative Investment Fund Managers Directive II (AIFMD II), a second iteration of the AIFMD? The question is an open one, and attempted answers are surrounded by caveats that include the impact of how individual EU member states implement the directive into their respective local legal framework. If one thing can be identified as certain, it is that we ought not to hold our breath waiting.

"The European Council is now discussing various reforms and that process could last until September this year," suggests Peter Capper, fund and investment risk specialist at the UK Investment Association. "I do not see anything concrete before the first half of 2023 and the implementation period could stretch out a further two or three years beyond that. Apart from anything else, we just do not know what kind of curveball someone might throw in the meantime."

Capper identifies the current major debating points as financial stability (with particular reference to liquidity management), delegation (especially of portfolio management) and the openness and competitiveness of EU markets (upon which views may differ across the EU).

Sustainability, net zero and transparency, it almost goes without saying, also feature prominently in his list, though objective observers might ask awkward questions about how any of those will stand up to close scrutiny in the wake of recent events in Ukraine. Global finance and fund management do not exist in a utopian vacuum.

The drawing board

The European Commission published draft legislative proposals on 25 November 2021, with a feedback period stretching from that date to 24 March 2022.

This step forward took place as a result of the original consultation, which was launched in November 2020 and duly closed as scheduled on 29 January 2021 with 23 responses logged as received from a variety of interested entities, ranging from the European Central Securities Depositories Association in Belgium to European Association for Investors in Non-Listed Real Estate (INREV) vehicles in the Netherlands and Assogestioni in Italy.

> ***"Over the course of a decade or so, AIFMD has created a brand for alternative investment funds to go alongside the protection UCITS providers for retail investors"***
>
> ***Federico Cupelli, EFAMA***

"We are fairly happy with the proposals," says Federico Cupelli, deputy director for regulatory policy at the European Fund and Asset Management Association (EFAMA). "Over the course of a decade or so, AIFMD has created a brand for alternative investment funds to go alongside the protection UCITS providers for retail investors.

"The two frameworks are very different but work in parallel to ensure the safety of invested assets and function well in parallel," Cupelli adds. "The AIFMD review has raised a number of concerns and issues; some touch on a number of issues, some of which we are less concerned about than others. Overall, we agree with the commission that asset managers should remain primarily responsible for managing liquidity risk, and need a full liquidity risk toolkit to do so."

In its formal response, Assogestioni says it welcomes the commission's proposal for the revision of the AIFM and UCITS directives, except for some considerations with reference to the new proposals on the subjects of delegation; loan originating funds; liquidity management tools; supervisory reporting; and lastly, disclosure to professional investors.

INREV also welcomes the opportunity to provide feedback as regards delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services, and loan origination by alternative investment funds.

The non-listed real estate investment industry has adapted to the requirements of AIFMD, which is generally working well, the association adds.

INREV says it therefore supports the commission's targeted approach in reviewing the existing AIFMD framework, highlighting: "We believe that the current rules should be neither diluted nor unnecessarily augmented without careful consideration of the potential impact on managing non-listed real estate funds.

"INREV supports the fact that delegation has been explicitly recognised as a key contributor to the success of the EU fund and manager labels.'

Delegation, the INREV adds, "allows for the efficient management of investment portfolios and for sourcing the necessary expertise in a particular geographic market or asset class".

It adds: "While there has been a desire among regulators for increased transparency regarding delegation arrangements, we note that there has been increased transparency following the introduction of the new annual notification mechanism from national competent authorities to the European Securities and Markets Authority (ESMA), focusing on certain delegations to entities located in third countries."

Official publications are seldom the only source of information and comment. An informed and interested third-party observer helpfully provided a copy of a working document from the EU Presidency to the Working Party on Financial Services and the Banking Union Financial Services Attachés.

Essentially, the helpful third-party explains, because the AIFMD proposal has been adopted by the commission, and as alluded to earlier by Capper, it is currently being scrutinised by the European Council and Parliament — they will both prepare their positions before trialogues begin (hence, we will not see anything final until the end of 2023).

Delving deeper

"The document referenced below [dated 28 March 2022] is a non-public document based on some of the discussions that are happening at a council level between member states," says the informal technical and media adviser. However, the opening question in this latest round of mind-sharing relates to liquidity management tools. It reads: "There seems to be a large majority on the following package of measures regarding liquidity management tools: i) slight modification of the definition of redemption gates (partial restriction); ii) removal of side pockets and redemption in kind from the UCITS list; iii) no other tool on the list proposed by the commission, as it is still possible for each member state to add other tools at national level; iv) ESMA will prepare guidelines on selection and use rather than a regulatory technical standards", among other rulings.

The opening question ends with: "Do you support this package?"

In the non-public document, Luxembourg (of course, the initial home of UCITS) replies: "While we agree with some of the measures we are less supportive of the proposal to remove side pockets and redemptions in kind from the UCITS list, as well as of the fact that no other tool should be added to the list.

"Regarding point (ii): we do not see the need to remove these two tools provided these are handled with precaution and an appropriate governance framework is in place, as they allow support for investor protection under certain conditions.

"Regarding point (iii): unlike what is proposed, we are in favour of enlarging the liquidity management tools-list as widely as possible in a harmonised way throughout the EU, in order to ensure availability of the broadest range possible of tools across all member states."

For balance, the Danish response was: "We generally support the direction of the proposed package. However, we believe the so-called "short list" of liquidity management tools for UCITS (and possibly also alternative investment funds) should include dual pricing, just like it includes swing pricing."

It adds: "This is because dual pricing is commonly used, including in Denmark, and works as an effective and well-functioning liquidity management tool in times of liquidity stress. Funds using dual pricing should not be obliged to select other liquidity management tools from the annexe as well. This would only add additional administrative burdens that do not improve investor protection accordingly."

> ***"While the UCITS ensures that the funds being sold to the general public are regulated, the introduction of AIFMD back in July 2014 kick-started a revolutionary change in the alternative investment management industry"***
>
> ***Kunal Sawhney, Kalkine Media***

Outlining his opinions on the future of AIFMD, Kunal Sawhney, CEO of Kalkine Media, the investor relation group and media house, sat down with Asset Servicing Times.

He outlines: "A lot has changed on the regulatory front as far as investment funds are concerned; while the UCITS ensures that the funds being sold to the general public are regulated, the introduction of AIFMD back in July 2014 kick-started a revolutionary change in the alternative investment management industry."

He concludes: "[AIFMD II] draft proposals are merely amendments to bring some improvement in AIFMD. Hence soon, we can see clamourings for AIFMD III, as there is wider scope to be addressed like delegation, also the reference to AIFMD third-country marketing is missing in the proposal and can make the regulation lopsided." ■

State Street appoints Michael Knowling to head global clients division

Based in Hartford, Connecticut, Knowling will report jointly to global client management head Joerg Ambrosius, and head of global client coverage, Christopher Coleman.

Knowling will manage a team of senior client executives, global relationship managers, and client analysts.

Knowling joins from insurance company Prudential Financial, where he was the head of client relations and business development within Prudential Retirement, with responsibility for managing the profitability, growth and client satisfaction for Prudential while developing and delivering retirement solutions.

Prior to this role, Knowling led the eastern US client service team, where he was responsible for the needs of more than 500 clients.

In addition, Knowling has served in several sales, service, plan transition and underwriting roles for Prudential Retirement, as well as for Connecticut-based insurance firm, CIGNA.

Knowling has also been a mentor with the Black Leadership Forum and is the executive sponsor for the Hispanic Heritage Network at Prudential Retirement.

Commenting on Knowling's appointment, Ambrosius says: "We are always looking to add exceptional talent to our organisation and, for nearly three decades, Michael has been solely focused on anticipating and exceeding client needs. We look forward to him joining our team." ■

Technology solutions provider Confluence has appointed Chris Riggio as chief revenue officer and Phillipa McLune as chief client officer.

Both Riggio and McLune will report to Confluence's president and chief operating officer, Todd Moyer.

Based in San Diego, Riggio will be responsible for all sales and marketing strategies across all of Confluence's products and services.

Riggio has more than 20 years' experience in the financial services sector and joins Confluence from ISS Market Intelligence, where he was global head of sales and client engagement. Prior to ISS, he was chief revenue officer for capital market company, BrightScope.

Based in London, McLune joins Confluence through the firm's acquisition of Investment Metrics, where she was global head of customer success.

McLune will be responsible for client success across all professional services and managed services offerings at Confluence.

McLune brings more than 25 years of experience delivering SaaS and enterprise technology solutions to financial institutions.

Commenting on her new role, McLune says: "Around the world, our customers are looking for integrated solutions to take advantage of evolving technologies and keep up with ever-changing regulations. Confluence is committed to getting them what they need to thrive and to best serve their own clients, the end investors."

Riggio adds: “It is exciting to join Confluence at this moment in the company’s history. The global investment management industry needs the cutting-edge solutions that Confluence provides, and with the addition of CSS and Investment Metrics, the offering has broadened and deepened.”

“I am looking forward to focusing our message to clients so they see the value we can provide to them, and to their own customers.”

FactSet has appointed Joel Kornblum to work with the partnerships and alliances team to help expand the firm’s ecosystem.

The firm administers open data and software solutions to global investment professionals, providing instant access to financial data and analytics for investor decision-making.

Kornblum has extensive experience across the end-to-end investment operational process, including investment data management, performance measurement and investment accounting.

He previously served at Eagle Investment Systems, joining in 2001 as vice president of sales, where he was responsible for developing and implementing the sales and marketing strategy to introduce Eagle in Canada.

Following Eagle’s acquisition by BNY Mellon, Kornblum held the position of global head of strategic alliances and consultant relations for the bank’s data and analytics solutions, including OMNI digital services.

Commenting on his appointment via LinkedIn, Kornblum says: “I am excited to be joining FactSet, where I will be working with the partnerships and alliances team to help expand FactSet’s ecosystem.”

Reflecting on his time at Eagle/BNY Mellon, he adds: “I am fortunate to say that many of the relationships with work colleagues, clients, partners, and consultants have grown into lifelong friendships. These experiences have enriched my work and personal life, and I hopefully have enriched theirs as well.

“I am grateful to have learned from some of the best and most talented leaders and experts in our industry, and I am proud to have contributed to our collective success along the way, sharing experiences and paying it forward.”

Cormac Sheedy has left his role as head of MENA at software company, Fenergo.

Sheedy has served at Fenergo since March 2019. Prior to Fenergo, Sheedy was business development director at Jersey Finance, a role he held from January 2017 to January 2019.

Sheedy was vice chairman of the Irish Business Network in Dubai from October 2019 to October 2021.

He has also held senior roles at RBC Investor Services, Fidelity International and Invesco Asset Management.

Commenting on his departure from Fenergo via LinkedIn, Sheedy said: “After three years, I cannot believe this will be my last week at Fenergo.

“It has been an amazing experience, through very challenging times with COVID-19. A very difficult decision to leave, but for every door that closes, another one opens.”

Sionic has appointed Craig Miller as its first chief client officer.

Chief client officer is a brand new role for Sionic and carries a global remit, aimed at promoting new business development and high standards of client account management across all parts of the firm.

Miller joins Sionic after a 22-year tenure at Broadridge Financial Solutions. Before joining Sionic, Miller was head of business development for North America capital markets at the global vendor.

Prior to that, Miller was vice president of Broadridge’s fixed income division.

Before Broadridge, Miller held positions in Lehman Brothers’ and Bear Stearns’ structured finance groups.

In December 2021, Sionic was acquired by Davies, the specialist professional services and technology firm, working with leading insurance, highly regulated and global businesses.

Commenting on his new role, Miller says: “Sionic has a highly skilled and talented team of professionals with a superb reputation. This is now combined with Davies’ risk management expertise and market-leading technology capability, which will allow for new opportunities across the globe.” ■

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