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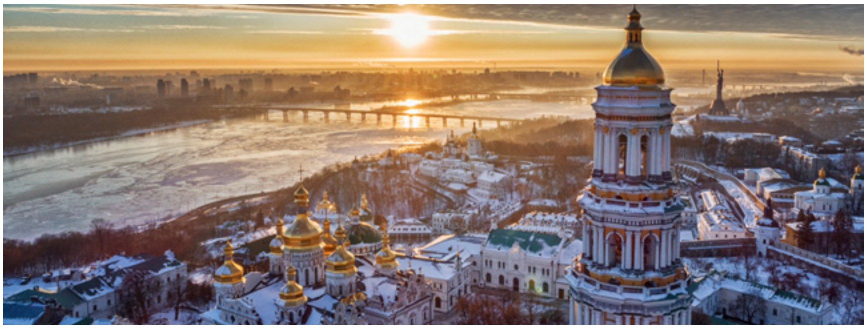


KDPW and NDU join forces to establish new link with the Ukrainian market

The Central Securities Depository of Poland (KDPW) and the National Depository of Ukraine (NDU) have signed an agreement to establish a direct operational link with the Ukrainian market. The link with Ukraine will allow KDPW to open a depository account in the NDU system to make municipal bonds issued by the Ukrainian regional government available to foreign investors.

Until now, operational links with foreign central securities depositories (CSDs) have been built to enable the clearing and settlement of transactions in shares of companies that are dual-listed on the Warsaw Stock Exchange and foreign trading platforms.

However, the link with Ukraine will allow KDPW to open a depository account in the NDU system to make municipal bonds issued by the Ukrainian regional government available to foreign investors. In the future, the agreement may be extended to cover other financial instruments.

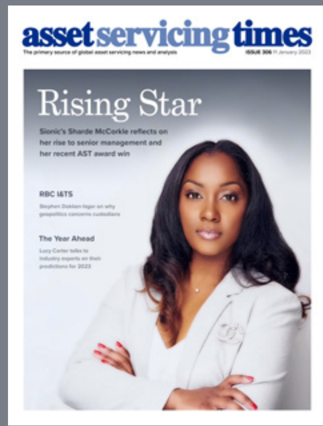
Currently, bond issues of Kyiv, Kharkiv and Lviv City Councils with a total face value of over 3.1 billion Ukrainian hryvnia (UAH) are in circulation in Ukraine.

Maciej Trybuchowski, president and CEO of KDPW, comments: "Since the beginning of the war, Poland has supported Ukraine's efforts to protect the country's sovereignty and territorial integrity. Poland's authorities, private and state-owned enterprises and institutions are joining the plan to rebuild the war-time devastation.

"The agreement concluded between our CSDs is part of our support for the Ukrainian financial market and it paves the way for Ukrainian local governments to issue municipal bonds on international markets."

Oleksiy Yudin, NDU's chairman of the board, says: "Placement of Ukrainian municipal bonds on the European market will help to attract capital and create ways to increase the inflow of foreign investments to Ukraine. We are grateful to our Polish colleagues for the support of Ukraine that we felt during our joint work."

"During those extremely difficult war months we actively worked to build a link that would expand the range of services for participants in the capital market of Ukraine. This initiative also contributes to the integration of Ukraine into the European financial space." ■



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CGD picks Wolters Kluwer FRR for regulatory compliance

Portuguese state-owned banking corporation Caixa Geral de Depositos (CGD) has selected Wolters Kluwer Finance, Risk and Regulatory Reporting's (FRR's) OneSumX software for its regulatory reporting obligations.

The solution will allow CGD to comply with the capital requirements regulation and central registration depository directives.

OneSumX channels data from banks into a single source, allowing for improvements in accuracy, consistency and reconciliation. Included in the service is Wolters Kluwer's regulatory update service, which provides updates on regulations across 30 countries. ■

First Derivative joins UnaVista Partner Programme

Capital markets consulting firm First Derivative has joined the UnaVista Partner Programme to enhance the operational and regulatory risk management services it offers to clients. The combination of First Derivative's business and UnaVista's technology platform aims to solve technology, regulatory and operational challenges.

Areas of focus include risk and controls, regulation and reporting, and data analytics.

First Derivative has a dedicated risk management team that works with many of the world's financial institutions on their regulatory commitments and technology needs, developing the processes and applications required to investigate, control and implement regulatory programmes.

Using the UnaVista platform, First Derivative teams will gain a deeper understanding of the current regulatory challenges faced by their clients and other financial institutions, says UnaVista.

As the regulatory landscape becomes increasingly more complex and crowded,

technology holds the key to solving short-term challenges and enabling firms to future-proof their reporting needs, it adds.

Chris Owers, global head of regulatory solutions at First Derivative, says: "A key initiative for the regulatory solutions practice at First Derivative is to build effective partnerships with companies like UnaVista in order to enhance our business expertise and regulatory knowledge with cutting edge technologies and working practices.

This partnership will give us access to a wider potential client base, conference sessions and keynotes and a broad range of training materials."

Edelweiss rebrands as Nuvama Custodial Services

India-based custody services provider Edelweiss Capital Services Limited has rebranded as Nuvama Custodial Services Limited (NCdSL).

In November, NCdSL was named "Single Market Custodian of the Year 2022 – India" at Asset Servicing Times' second Industry Excellence Awards.

NCdSL offers securities custody and clearing, fund setup advisory, India access, fund accounting, research and execution services, as well as back-office support.

It also provides objective advice and operational support to help clients address investment needs.

EPF expands partnership with BNY Mellon for investment accounting project

The Employees Provident Fund Board of Malaysia (EFP) has selected BNY Mellon to deliver an investment accounting project, facilitating BNY Mellon's Eagle accounting solution, and wider data and analytics services.

BNY Mellon's Eagle accounting solutions are designed to help the EPF centralise and efficiently manage complex investment assets and address their data management, historical data and reporting challenges by integrating with their business intelligence tools.

BNY Mellon already provides custody services to the EFP. With this new mandate, BNY Mellon aims to deliver a solution for fund accounting and the administration of public assets of the EPF, with increased automation and a centralised investment data hub.

According to BNY Mellon, the expanded partnership will accelerate the EPF's ambitions in building a resilient and data-centric operating model, as they bolster their investments into new asset classes and geographies.

Fangfang Chen, APAC chair and APAC head of asset servicing and digital at BNY Mellon, says: "Malaysia is a significant growth market for BNY Mellon in the Asia Pacific region. We are honoured that the EPF has entrusted us with an expanded mandate."

Private markets have unique capital deployment opportunities, says Ocorian

Private markets have a "unique opportunity" to accelerate capital deployment from traditional markets to alternative assets, says an Ocorian report.

As global economic conditions worsen, the global financial services group predicts that growth in the year ahead

will focus on pure private market investments and a shift towards multi-alternative asset strategies.

Ocorian also forecasts an increased focus on distressed asset funds which will be longer term and closed ended.

Alternative assets are growing in popularity, the firm adds, as they offer the potential for attractive yields and low correlation to economic conditions, such as interest rates and inflation, unlike bonds and equities.

However, the sector needs to speed up on standardisation and tokenisation to match traditional markets, Ocorian affirms.

Ocorian estimates the sector has up to 18 months to achieve what traditional markets have done in 12 years in this area and is seeing growth in private markets reflected in planned fund launches.

Its analysis shows more than 1170 private funds are raising capital across the major jurisdictions.

Around 600 are based in Luxembourg compared with 226 in Ireland, 193 in the UK, 83 in Guernsey and 71 in Jersey.

Richard Hansford, head of business development for the UK at Ocorian, says: “The whole investment thesis and the investment lifecycle is changing. Investors are willing to commit capital for longer and see greater value in private assets, which is driving growth. Investors increasingly believe it will be some time before we see growth in traditional markets.

“Luxembourg is clearly the biggest in terms of private asset market activity, and that trend will continue, demonstrating the preference for managers to have onshore EU structures in the private market space, which applies very much to US managers wanting to expand in the European Union.”

He adds: “Our industry does have to catch up. The private market space and the alternative space is definitely deficient in standardisation. “

“Tokenisation of private markets will enable participants to address growing demand from institutional investors while standardisation of data will help drive expansion by enabling private markets to match traditional markets on transparency.” ■

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Rising Star

Sharde McCorkle, director at Sionic, reflects on her career so far, the industry's DEI progress and what is on the horizon for asset servicing

At last year's Asset Servicing Times Industry Excellence Awards, Sionic's Sharde McCorkle was named the industry's 'Rising Star'. Her nominators called her "a next generation leader with a mindset to serve and a vision to succeed," and her career so far has certainly shown her to be a formidable force in the asset servicing world.

Breaking into the industry in human resources, McCorkle has since worked in customer service, retail operations and corporate actions roles.

"These were all a necessary part of my career journey," she says. "I was always equipped with motivation and the desire to learn, but each transition gave me a different lesson in experience, professionalism and presence."

"I never set out to do a particular thing. There was always someone who gave me an opportunity and took a chance on me, and I can look back now and say that these roles were all a necessary part of my career journey."

The importance of inclusion

The importance of giving people opportunities is at the top of McCorkle's agenda; she has been an active member of several initiatives pushing for racial and gender equality in the industry. She has participated in employee resource groups, even when she herself was not a member of the group in question: "They were an opportunity to learn, understand and connect with people outside of my normal element," she explains.

Awareness and consideration of diversity, equality and inclusion (DEI) "is important to me because it is a direct part of my identity," McCorkle states. "I am a Black woman, so whether or not I speak up, whether or not I choose to educate myself on what we can do better in the workplace, I will be impacted."

After spending more than 15 years in the industry, McCorkle has certainly seen some positive change — but there is still a long way to go, she affirms. "Gender and racial progress are slow and fragile, and can easily be lost if we don't maintain the momentum," she warns. "I do see a more diverse workforce than when my career began, but now we must implement real change.

"Hitting the equality and inclusion marks can be challenging, because we cannot always visibly see them. To meet these goals there are a few things the industry will need to consider to recover from the effects of the old culture while simultaneously constructing a new one."

Putting a plan in place

McCorkle has a plan in mind to improve the industry's DEI credentials. Conveniently alliterative, these are: action, accountability, awareness, acceptance and alignment.

"There must be a greater commitment to the actionable changes we hope to achieve," she says of her first point, going on to emphasise the importance of transparency around companies' progress on their goals: "without accountability, things are going to slip away again." Awareness centres around McCorkle's concept of being "consciously unbiased," thinking about your actions and what might be driving them, rather than accepting that bias is unconscious and "trying to pay attention to the thing that you do not know you are doing."

The industry has seen improvements in terms of awareness, but McCorkle believes that what is done with this awareness is the next question that firms need to be asking themselves. "There must be policy and systemic change" alongside a firm's declarations of equality, she says. "Awareness cannot just stand alone."

> *"There are a few things the industry will need to consider to recover from the effects of the old culture while simultaneously constructing a new one"*

"We have to accept the truth of where we are, accept the truth of the mistakes that we have made along the way — and the fact that we will probably make more mistakes in the future," McCorkle urges, on the topic of acceptance. Although it can be difficult to admit when things have gone wrong, it is vital that firms look at the reality of their current situations and acknowledge where they stand.

Change will succeed when it comes "from the top of the house, embedded in our overall strategies and supported the entire way down," McCorkle says. Too often, communication is lost in middle management and engagement with an initiative suffers, she reflects. DEI goals are an executive agenda item and should be treated as such, she maintains, without being relegated to the bottom of the list.

Just keep going

There have been many comparisons made between the 2008 Financial Crisis and the current state of the global market. McCorkle began her career at DTCC in 2009, when shockwaves were still being acutely felt, and has advice for those entering the industry at a comparably turbulent time: "Just keep going. It seems simple in nature, but it is not anecdotal. It comes with work."

"There was a time when I was really frustrated and overwhelmed at work, and I submitted my two weeks' notice," she recalls. "My boss did not accept it, and I am grateful that she cared enough to help me understand the decision that I was making. She gave me a book, which I still have, and a development exercise."

After completing her reading and her exercise, McCorkle realised that she did not actually want to quit — she was frustrated and uncomfortable, ready to forfeit her career based on how she felt at a moment in time.

"Things did not miraculously get better when I decided to stay, but my perspective shifted," she says. "I learned that the decisions I make today will carry the future me."

McCorkle's belief that you must seize the opportunities that are given to you has served her well throughout her career, and she is grateful that there was always someone who took a chance on her.

T+1 tactics

After a successful year for McCorkle, she and her team at Sionic are preparing for what comes next.

Although the implementation date for T+1 has not yet been confirmed, shortened settlement cycles have been in the back of the industry's mind for a considerable time. McCorkle and her colleagues are getting ahead: "We are starting now. The T+1 transition needs to be given the attention it deserves from the very beginning."

Preparing for T+1 has included a 'trade lifecycle autopsy', investigating what pieces of the process need to be changed and what elements of the T+3 to T+2 transition can be used to get to T+1. Through this, Sionic has "developed a framework for a programme that looks at everything across the post-trade lifecycle."

To begin with, a client's existing capabilities must be assessed, in terms of technology and people: "We should not be reinventing the wheel, but we should be taking the opportunity to make things better."

"We then dive into readiness models, testing, migration and overall programme management, to ensure that we are dedicating the right level of resources to the overall initiative," McCorkle elucidates.

She also highlights the importance of cooperation and collaboration across the industry, in what will certainly be a challenging time for all market participants. "The industry has to take advantage of open forums and platforms that provide and solicit responses to questions and concerns. We will need to work together to coordinate a synchronised transition," she says.

However, she adds that there could be added positives to the T+1 transition. "For a moment in time, everybody is going to be on the same page. I think people will be more willing to help each other out," she predicts, suggesting that teams start looking at what else can be modernised during this time of transformation.

What's next?

Taking everything that she has learned through her career so far, McCorkle is in the process of developing a new corporate actions training programme. Her decision to create this stems from the lack of guidance she received when she started out in the industry, and the frustration and feeling of being unsuited to the role that resulted from this.

"While there were knowledgeable people around me, no one ever really explained why I was doing the tasks I was assigned," she explains. "I did not think I would ever fully understand what I was doing, and I felt like I was being put in a position to fail."

Hoping to provide new industry entrants with the resources she needed at the start of her career, McCorkle's programme will complement current training methods, such as shadowing, "by giving an in-depth understanding of all of the parts that make the whole."

Outlining her main goals for the initiative, McCorkle states: "I want people to be able to articulate what, how and why they are doing what they are doing. The training allows for an exchange of questions and answers to create a well-rounded corporate actions team. People will be capable of doing more than just processing — I want teams to be able to make decisions, think critically about their roles in the event, detect risk early in the process and escalate the discussion."

Because at the end of the day, "these are the people in the seats doing the job," McCorkle says. "They need to be able to understand the reasoning behind the tasks they are completing, and they need to be able to offer their thoughts on how the systems work."

This type of training "needs equal commitment from the people and the organisation," she adds.

"They have to invest in each other. Training has always been something that we put on the back burner. Companies now have to make this an agenda item. While we are automating parts of the corporate actions process, shiny new systems without shiny new people and mindsets behind the desks do not add up."

As the leader of Sionic's asset servicing business, McCorkle is anticipating having to think quickly throughout the coming year. "Depending on the world around me, my priorities tend to shift," she says, "but I do have some permanent priorities: my team, my clients' growth, resilience, and organisation strength."

Making connections is a feature of the job for McCorkle, whether those connections are with others in Sionic or with her clients. "In order for me to be able to deliver exceptional service to clients, I have to make sure that I have delivered that to the entire Sionic team."

Returning to the importance of DEI, McCorkle plans to continue her own education and training so she can make sure that Sionic is doing its part to create "substantial footprints along the path to change. I believe in doing things from the inside out; I cannot ask clients whether they are considering their people if I have not done that myself."

She adds that resilience is key, especially in light of the unknowns that the industry, and the world at large, continues to face: "Providing new thoughts, ideas, insights and specialisms to clients will contribute to my and the firm's growth."

Yet, the unknown is not necessarily unwelcome. "The unknown is always exciting for me," McCorkle admits. "There is a healthy inquisitiveness that is unlocked when the unexpected occurs and we are compelled to think about things from another point of view."

"Shiny new systems without shiny new people and mindsets behind the desks do not add up"

She looks back on events that have changed how the industry operated throughout her career: Hurricane Sandy, for example, damaging huge quantities of physical certificates in DTCC's vault and accelerating the push for digitalisation.

"In this season of my career, the COVID-19 pandemic awoke us from a slumber," she posits. "That is the thing that is going to dust off the cobwebs," driving change as a 'new normal' is constructed.

One area that McCorkle is excited to watch in 2023 is technology. "New technology is on everybody's radar, whether a firm has proprietary technology that they built themselves, or whether they're soliciting a vendor or third party. We are looking for accuracy, timeliness, and how we can reduce risk and increase revenue."

Following the pandemic and its restrictions on movement, "firms are still in the process of figuring out what a hybrid work environment looks like. The more automation that we can put in, the more we can eliminate risks, invest in our people, take on additional projects and build better and faster."

Overall, she says, "I am excited to see what a shortened settlement cycle, robust processing engines, and a hybrid work environment will do for our industry in the next year." ■

The Year Ahead

Lucy Carter talks to industry experts about their predictions for 2023, what they're looking forward to and what problems may arise along the way

2022 was certainly turbulent, with heightened international tensions a constant backdrop to the asset servicing industry's technological developments and innovative operations. Although industry participants should take note of the lessons learned over the past 12 months, there is a lot to look forward to over the coming year.

ISO 20022

2023 will see the widespread rollout of the ISO 20022 messaging system, expected to be fully implemented next spring. The system aims to reduce costs, ease the movement of payments between channels, and improve market access for new entrants. Small, medium and large businesses will all benefit from the transition, according to SWIFT, as long as they are aware of what is required of them and prepare sufficiently.

There are several benefits to the adoption of ISO 20022, according to Ken Fullerton, managing director and global head of hedge fund administration at SS&C. "Enhancements to cash messages to provide rich, structured data will allow organisations to improve their know-your-customer processes and meet their financial crime compliance obligations." He adds that improved data availability will help the industry on a wider scale, allowing for increased automation and lower costs.

Looking beyond the immediate perks of ISO 20022, such as increased granularity to communications, Adam Cottingham, product manager for corporate actions at SmartStream, states that it has the potential to "become an enabler for blockchain". He goes on to suggest that those who have invested in solutions which are compatible with both ISO 20022 and 15022 messages will be more "future proof" than others, with their systems prepared for later ISO developments.

While Cottingham is already looking forwards, Pardeep Cassells, head of securities and claims products at AccessFintech, warns that many organisations are not yet SWIFT-enabled. "Although ISO 20022 is intended to ensure a more open messaging rulebook, organisations are unlikely to adapt to new standards if they do not adhere to the old ones," she says. ISO 20022 may not create a level playing field, but instead reinforce the disparity between companies who are and are not able to work with SWIFT.

Similarly, Andy Schmidt, global industry lead for banking at CGI, draws attention to the 'uneven' adoption of ISO 20022, with different markets and infrastructures using disparate versions

> *"Any technology developed around legacy data, without a care for digitisation, will be fundamentally flawed"*
>
> ***Simon Shepherd, MYRIAD***

of the system. This increases "the possibility of dialectical differences, which will need to be identified and mapped out" before ISO 20022 is fully interoperable, he says.

This concern about industry imbalance is echoed too by Samir Pandiri, president of Broadridge International, who expects that the industry "[will not] see one standardised messaging type for some time". Firms must be prepared to adapt to the current environment, perhaps "needing to adopt three or four competing protocols" to keep communications running, he predicts. "If there was just one messaging type in the asset servicing industry, it would be a lot simpler," Pandiri affirms — but it does not look like that goal will be realised this year.

Technology

Simon Shepherd, CEO of MYRIAD, argues that "broader and deeper" digitisation should be a priority over the coming year. "It is a necessary precursor to digitalisation, and without one before the other, efforts at digitalisation will be severely — and expensively — compromised. Any technology developed around legacy data, without a care for digitisation, will be fundamentally flawed," he says.

Offering an alternative perspective, SS&C's Fullerton believes that the continued development of artificial intelligence (AI) "will continue to have a transformative impact on asset servicing over the next 12 months". The wide range of areas that AI can be implemented in — from manual processes automation to customer service, and data analytics to back-office efficiency — alongside the speed with which firms are investing in and developing it, cement AI as an area to keep an eye on in 2023 and beyond.

Many firms are already adopting AI into their approaches, with new products boasting chatbots, machine learning and natural language processing. "Firms can use intelligent automation to improve their processes, products and services, and to create new ones," Shaun McKenna, senior director for APAC at SS&C said in the company's article 'Opportunities for Intelligent Automation' earlier this year.

There are endless opportunities for AI to be integrated into companies' systems, but it is important that such technology is in place to fix a problem rather than for the sake of an eye-catching headline or marketing tool. As with any new forms of technology, viable use cases must be found or firms may risk confusing their clients, complicating their systems and ultimately losing capital.

Automation, alongside the replacement of legacy systems, is a key priority for several industry experts. According to Vicky Dean, managing director for EMEA at Goal Group, legacy systems are "the dinosaur in the room" of the asset servicing industry, with companies requiring "dramatic and significant transformation" to improve their operations, reduce costs and enhance services.

Automation "has been an ongoing development in the marketplace," says Lloyd Sebastian, vice president of global financial institutions at CIBC Mellon, and is one that he expects to continue. This includes increased outsourcing, with firms handing over non-core activities to specialist third-party vendors in order to focus on areas where they can deliver the most 'core value' to their clients. This increase in automation and technological innovation "is consistent with the broader themes" that the industry is focusing on, he says: "more efficient, effective and transparent investment operations, and ultimately greater optimisation outcomes for clients."

Workplace

Alongside changes in how people work, changes in why people work have also become apparent over the COVID-19 pandemic and its aftermath. Studies have shown that those of working age from the Gen Z generation (18- to 25-year-olds) are searching for a deeper fulfilment in their jobs. They want to feel that they

are actually making a difference, rather than wanting to climb the corporate ladder as previous generations have.

While 2022 was business as usual (BaU) in comparison to 2020 and 2021, the industry showed its cards over the pandemic and revealed to employees that they have more power than they might have thought, pre-COVID-19. Firms are now having to adapt to the changing wants and needs of their staff, rather than vice versa. 'The Great Resignation' and labour shortages have put employees in the position to demand certain things from companies, with hybrid or fully remote work now something that potential employees expect from their employers.

Many in the industry believe that this was no bad thing, with hybrid working, although initially a challenge, allowing for greater flexibility of both employee and employer. Goal Group's Dean argues that the hybrid working model has "drastically increased productivity and morale, as staff are able to regain more of a work-life balance and gain a sense of freedom and independence." She cites technology developments as the facilitator of this, and urges companies to continue their shift from legacy infrastructure and manual processes to ensure data protection and risk reduction.

Also advocating for technological change is Michelle Zak, managing director at Qomply. "Collaborative digital solutions will take over in 2023," she predicts. With the acquisition and retention of skilled workers becoming a chronic challenge, "digital solutions that offer streamlined automation, that simplify complicated computations or tasks, will flourish". Firms will "reduce their dependence on highly-trained staff" to prevent potential disruptions in the future, Zak adds.

This outlook perhaps suggests that part of the human component of the industry is on its way out, in favour of digital solutions that can complete work more efficiently. However, Ludovic Blanquet, chief strategy and transformation officer at Xceptor, is instead looking into a future where working environments are made more intense, as firms struggle to maintain service levels under pressures that force a reduction in headcount. Rather than a particularly poor response to the remote or hybrid working model itself, he draws attention to "the ongoing technology stock collapse" and states that "for the foreseeable future, the age of abundance is over."

Opinions are similarly split on the actual benefits of remote working — productivity, company culture, teamwork and wellbeing are all crucial areas of a firm's commitment to its staff that need to be addressed when working models are up for debate.

> ***"Digital solutions that offer streamlined automation, that simplify complicated computations or tasks, will flourish"***
>
> ***Michelle Zak, Qomply***

Phil Anderson, executive director of D&I, CSR and ESG at DTCC, emphasises the pressure that "the feeling of social disconnection" places on talent attraction, retention and business performance. "Steps must be taken to foster collaboration and cultivate a sense of inclusion and belonging," he urges, also emphasising employee demands for a more 'holistic' workplace that provides "mental, social, and mindful development opportunities alongside work flexibility". Firms will need to engage with these requests in order to remain competitive in the market as time goes on, he affirms.

Employee communication, colleague engagement and company values will be pushed by firms to help harbour a more consistent workplace culture, suggests Cuan Coulter, UK country head for State Street. This will be "crucial in ensuring that the hybrid workplace works for everyone," he affirms, expecting the popularity of the model to remain at a high.

Although this model is being driven by workers, it is something that businesses can equally profit from as they acquire talent remotely, breaking down some of the hiring restrictions of a traditional workplace. Ed Gouldstone, product and business advisor for asset management at Linedata, suggests that in light of recruitment difficulties "talent and experience may well now mean casting the net wider," with a greater proportion of the workforce working remotely. With the impact of the COVID-19 pandemic still reverberating, he believes that "it seems unlikely that we will see a full return to full-time in-office working".

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"Firms will continue to seek a balance between what is good for the organisation and what is good for the employee"

Ken Fullerton, SS&C

Yet this is not something universally recognised; Fullerton draws attention to the many firms making office-based working mandatory. However, he predicts that over the next 12 months "firms will continue to seek a balance between what is good for the organisation and what is good for the employee because, in the end, those two things are synonymous".

This balance may take some time to find. Although there are many positives that have been seen from alternative working models, including high productivity levels, CGI's Schmidt warns that there are several less beneficial factors at play. Fully remote working stifles employee creativity, he says, adding that employee engagement is hard to maintain when teams are not seeing each other in person. In what remains a volatile employment market, "firms will need to find the right balance of work location and flexibility to help sustain employee engagement to retain the employees they have, and attract the recruits they need," he says.

SRD

The Shareholders Rights Directive (SRD II) was off to a difficult start in 2022, with few differences to the realities of proxy voting and the number of failed shareholder communications observed in the industry.

Panellists at this year's AMFE OPTIC conference hinted at the chance of SRD III being put into place this year, yet were not optimistic about the short-term improvements of any version of the directive.

There needs to be a "willingness to change" in the industry before SRD sees any real success, said Mariangela Fumagalli, head of asset servicing for global product and regulatory solutions at BNP Paribas Securities Services.

"The principles of SRD II are sound," says SmartStream's Cottingham, a sentiment frequently echoed by industry players. The issues that have emerged, he suggests, "show more deep-rooted issues with the systems many firms are using to run asset servicing operations" than problems with the regulation's goals.

Although he recognises the benefits of the regulation — namely, greater transparency and governance, efficient proxy voting systems and improved shareholder disclosure systems — Broadridge's Pandiri agrees that SRD "is a complex regulation and there are lots of moving parts".

He considers the evolution of technology in the past two decades as a major vehicle for the improvement of shareholder engagement and rights through its impact on both industry capabilities and client expectations.

"Executives and board members of public companies no longer have to meet in-person and shareholders don't have to miss out on events," he says; "instead, they can all click a simple link on their laptops to meet corporate executives virtually." In 2023 and beyond, he expects a "continued deepening of shareholder engagement".

It is impossible to predict exactly what 2023 will hold, especially in light of all the unexpected events and challenges that the past few years have thrown out. But the variety of predictions, hopes and concerns shared here offer well-considered insights into what the next 12 months might look like, and what the industry needs to be aware of. Which particular change will be the most impactful remains to be seen. ■

Geopolitics takes centre stage for custodians

Stephen Dokken-Isgar, head of global network management for the Americas at RBC Investor & Treasury Services (RBC I&TS), discusses how the company is managing the ongoing market turmoil that has accompanied Russia's invasion of Ukraine, and why global custodians need to take a more proactive approach in identifying future geopolitical flare-ups

Centralised risk management

In the market turmoil that followed Russia's invasion of Ukraine, institutional investors with exposure to the region relied on global custodians to help navigate the crisis and safeguard their assets.

The war in Ukraine and subsequent Western sanctions created significant challenges for network managers at global custodians. Following announcements of sanctions against Russia, it was critical for custodians to understand their Russian exposures — and fast.

RBC I&TS utilises two separate legal entities for contracting with its clients. The complexity of this legal arrangement, combined with the continuously-changing sanctions across the multiple jurisdictions in which we operate made it particularly challenging for us to understand the full impact of the sanctions.

Network management immediately took the lead in forming a cross-functional crisis management team to manage RBC I&TS' cash and securities exposures to Russia across the legal entities, and to measure the effect of the multi-jurisdictional sanctions on our clients' assets. It was vital to work closely with other parts of RBC and ensure alignment of our responses across the organisation.

The RBC global economic sanctions (GES) team, which played a key role in handling and providing guidance on the sanctions imposed on China in 2021, has been a critical resource in helping us navigate the Russian sanctions — and continues to play a vital role.

We have also engaged in close collaboration with RBC legal, enterprise group risk management and RBC I&TS' cash management group as part of our centralised risk management approach. We adopted a 'follow-the-sun' model for the timely updating of our crisis management deck, and this was key to managing the book of business for our investor clients.

The all-important pivot

An effective contingency plan is essential to the network management role and central to global custodians' asset safekeeping duties on behalf of our clients. Such a plan must be ready in the event of a sub-custodian's sudden default or market departure. This very much applied to the situation in Russia.

The Russian assets of investors from 'unfriendly' states were frozen by the Russian authorities. In addition, RBC I&TS' local sub-custodian was acquired by a Russian oligarch, who was sanctioned by Canada. It was, therefore, necessary for RBC I&TS to pivot quickly and obtain the services of an alternate sub-custody provider who could assume RBC I&TS' Russian book of business.

As it turned out, RBC I&TS was able to leverage the Eastern European sub-custody hub provider that we had engaged through our Network 2.0 review back in 2018-19. This allowed us to transition the Russian assets to our new provider in a record timeframe.

All hands on deck

Network management has experienced many tense moments — and long days — throughout the Russian crisis. While it may sound cliché, team work and internal collaboration have been essential in successfully managing this extremely difficult situation. It has very much been a matter of all hands on deck.

First and foremost, RBC I&TS needed to update our clients on the ever-changing environment and how it was impacting their assets, which it continues to do today. This has not been an easy feat. It is hard to describe the uncertain atmosphere that has prevailed during this period.

Based on the continuous flow of information provided by RBC I&TS' sub-custodians, complemented by the experience and expertise of the network management team and partners across the RBC enterprise, RBC I&TS has been able to keep its clients informed of the evolving situation. While the industry has largely adapted to the 'new norm' associated with the Russian market, the situation remains extremely challenging and a significant focus of RBC I&TS' daily network management activities.

The next geopolitical risk

The recent conflict in Eastern Europe and a growing number of flashpoints across the globe — the current tension between China and Taiwan comes to mind — highlight the need for global custodians to be more proactive when dealing with potential geopolitical risks. To this end, we have a standing item on the agenda of our monthly network management steering committee meeting for the head of group risk management to discuss current red-flag markets and exposures.

Growing geopolitical risk also supports the case for real- or near real-time network monitoring, which can be facilitated through new technologies such as blockchain and artificial intelligence (AI). By combing social media and scraping the internet, AI software offers the potential to identify risks in local markets before an emergency materialises. Although still in the nascent stages, such predictive analytics are likely to be increasingly leveraged by custodians going forward. It's all part of ongoing efforts to spot geopolitical risks and implement contingency plans in a timely manner, a vital tool when looking to insulate clients from potentially catastrophic outcomes.

"An effective contingency plan is essential to the network management role"

As geopolitical tensions continue to rise, it is critical for network managers at global custodians to have a high level of awareness around the impact of these risks on the operations of their agent banks. If custodians are to weather the ongoing challenges and continue to protect their investor clients, a proactive, collaborative approach to market risk management will be essential. New technology is likely to play a growing role in effectively monitoring these conditions. ■

Stephen Dokken-Isgar
Head of global network management for the Americas
RBC I&TS

Established and growing

Brian Bollen discusses current investment opportunities in South America, the takeaways from BME's November Latibex Forum, and why State Street decided to open a new office in Chile

Where might one start with a feature about South America as an investment destination and its related asset services? Serendipitously, the Latibex Forum at the BME, which took place at the end of November, was well-timed in preparation for this piece. It allowed investors to "get to know the situation of the main South American and Spanish companies present in that region" said the BME, in a press release published after the event.

One of the key components was a fund managers' panel entitled 'Investment Opportunities in Latin America', featuring Ignacio Arnau, a portfolio manager at capital markets company Bestinver, Oscar Esteban Navarro, a sales director at Fidelity, and Alejandro Varela, a fund manager at financial services firm Renta 4.

"We have a special bond with South America, with offices in Chile, Peru and Colombia," said Varela, who has been in charge of the company's South American equities fund since 2016. "We are truly aware of the potential of the region and potential growth for investors," he added.

Addressing a suggestion that certain indices show South America to be always out of sync with the rest of the world, Bestinver's Arnau began by saying he doesn't believe the indices give a true representation of the economies in the region. This, he said, was because they are heavily biased towards certain sectors, including energy. "We focus 98 per cent on non-index names and that offers a different exposure to what you might normally get," he said.

Varela argued that there has been a turning point in the behaviour of currencies against the euro and even the US dollar, highlighting the real in Brazil and the peso in Mexico. This represents a large part of the return for European investors.

He added that there is a perception amongst investors that the centre of geopolitical-related risk has shifted from the west to the east, partly because of the war in Ukraine, making South America a safe haven as the price of raw materials has risen.

The South America indices have been polarised by Mexico and Brazil and the huge companies that are based there, added Fidelity's Navarro. "If you actively manage funds by analysing companies, you have a different result," he said.

In addition to geopolitical challenges, tensions in the energy market, technological disruption and sustainability, one of the key topics discussed at the Forum was South America's investment opportunities.

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Top managers highlighted the attractive returns offered by South America investments, against a backdrop of widespread stock market declines in Europe. The FTSE Latibex Top index is up 11 per cent over the year, the FTSE Latibex Brazil sits near 10 per cent, and the FTSE Latibex All Share is up more than 13 per cent.

During the meetings between companies and investors, which have returned to their original in-person format, several major South American companies set out their future plans.

"One of the common points among the panels was the optimism about the economic situation in South America, as the region is more prepared than ever to face the complex context of slowing global growth," affirmed Jesús González, general manager of Latibex, speaking at the Forum.

Time for expansion

The BME has maintained a continued presence in South America for decades. Two months ago, it signed a collaboration agreement on financial education with the Mexican stock exchange, BMV.

BME has an office in Bogota from which it manages, among other projects, market data services throughout the region, wealth technology products in Mexico, Costa Rica, Colombia and Chile, and technological infrastructure services in Mexico, Colombia, Bolivia and Venezuela.

In November, the board of directors of the Bank for International Settlements announced the appointment of Roberto de Oliveira Campos Neto, governor of the Central Bank of Brazil, as chairman of the BIS Consultative Council for the Americas.

Just a month earlier, State Street announced it would be opening a new office in Chile to help the firm serve and support institutional clients in South America, with a focus on custody, fund administration and securities lending.

The firm appointed Alberto Menendez to lead the Chile office and to serve as sales representative for Chile and Peru. State Street described the opening of the office as an "important milestone" as it "builds on its ongoing expansion of client capabilities in the region." The opening came a year after State Street's Brazilian bank began offering foreign exchange capabilities and sales operations.

Commenting on the news at the time, Menendez said: "State Street has brought market-leading solutions and unprecedented scale to the region, and the opportunity ahead is only growing as we continue to expand our capabilities on behalf of clients."

Marcia Rothschild, senior vice president, head of Latin America and The Caribbean at State Street, took the time to speak to Asset Servicing Times. She says: "We view South America as an integral part of our long-term growth strategy. The opportunities in the region are plentiful, fuelled by attractive demographics, a growing pool of assets looking for investments overseas, and local talent."

State Street is not new to South America, having long-standing client relationships for decades and strong relationships with regulators. According to Rothschild, it leverages the existing infrastructure it built in Brazil via its Brazilian bank, State Street Banco Comercial, to expand its local presence in other key markets in the region — namely Mexico, Colombia and Peru.

Commenting on why Chile was the new location of choice for State Street, Rothschild affirms: "Chile is the fifth-largest economy in South America by GDP, with a free market model, making it attractive for investing. We have a long history and track record of serving our clients in Chile and the opening of our office will further support our goals to be closer to our clients and regulators."

"The opportunity ahead is only growing as we continue to expand our capabilities on behalf of our clients who are looking for access to a broad range of services and technology, additional expertise and greater geographic reach," she adds. "South America demands a deep understanding of local and cross-border regulations, and strong connections with local regulators and industry bodies."

State Street is competing with a few of the same global players in the region as it does in North America, Europe and Asia. Over the last couple of years, the region has seen an increase of Asian players setting up local presence in South America, especially Chinese and Japanese banks, as those countries invest significantly in commodities produced by South America such as food, metals, mining and energy.

Looking forward, Rothschild concludes that State Street's plan is "on track to continue to expand its physical presence in the region and to serve and support its clients as their essential partner." ■

Securrency welcomes Nadine Chakar

Software firm Securrency has named Nadine Chakar as CEO. She replaces Securrency founder Dan Doney, who will now serve as chief technology officer.

Chakar has more than 30 years of experience in the financial industry, holding a number of senior positions throughout her career. Her departure from State Street was announced in December, where she first served as head of global markets, before becoming executive vice president and head of State Street Digital in 2021.

Prior to this, Chakar spent almost a decade at BNY Mellon, where she led the global asset servicing teams, and was global head of operations and data at Manulift Investment Management.

Commenting on her new role, Chakar says: "As the new CEO, my priority is to accelerate the commercialisation of what is in essence the digital asset intelligence and interoperability foundation for major financial institutions and the global ecosystem. I look forward to working with the team to create the global digital assets marketplaces of the future."

Doney adds: "Nadine shares my passion for innovation, and we are united in our determination to make financial markets more accessible and efficient. She has a razor-sharp view of where reform is needed and how our technology can help. I am excited to work with Nadine as we focus on evolving our solution to bridge traditional and decentralised finance." ■

MUFG Investor Services (MUFG) has named Fi Dinh as head of fund finance for APAC.

In the role, Dinh will be responsible for growing the fund financing business in the region and supporting the global asset servicing and fund administration arm of the company.

Dinh has more than a decade of experience in the financial services industry, beginning her career at Barclays and serving in a number of roles, including relationship director for private equity and director at the financial institutions group.

During her time as a director at IMG, Dinh was responsible for setting up the company's fund finance and insurance finance business for APAC, based in Singapore. She joins MUFG from Citi, where she was director of fund finance for APAC.

Dinh says: "MUFG's track record for maintaining a high client retention rate is a testament to our dedication to our clients. Combined with MUFG being one of the largest and most stable financial institutions in the world. This is a winning formula in helping our clients accelerate growth in an increasingly competitive marketplace. I am thrilled to be a part of the team."

John Sergides, CEO of MUFG, comments: "Fi brings extensive experience across a wide range of fund financing roles which will be key to advancing our APAC growth strategy."

"As the industry experiences a liquidity squeeze, banks across the globe are scaling down the fund financing space due to capital constraints. Given we have a strong and stable balance sheet, we're committed to supporting fund financing needs across the broader alternatives market."

Financial services corporation Citi has appointed Sorcha Sullivan-Williams as senior vice president and digital assets product manager for securities services.

Based in London, Sullivan-Williams will report to Ryan Marsh, global head of distributed ledger technology (DLT) and digital innovation for securities services.

Sullivan-Williams joins the firm from a vice president position at BNY Mellon, where she worked within the digital assets team.

Previously, Sullivan-Williams held a six-year term with Goldman Sachs, where she first joined in 2015 as an analyst.

John Lloyd has left HSBC Securities Services after a 15-year tenure to launch an advisory company.

Lloyd was previously on sabbatical from HSBC from June 2022 to January 2023. During his HSBC tenure, he was chief operating officer for four years.

He also served as chief control officer for global banking and markets from March 2015 to March 2018 and was global head of control and cross product services from 2008 to 2015.

Lloyd has been a non-executive director for HSBC Securities Services (Ireland) and for HSBC Electronic Data Processing Lanka PVT.

He has also served at Deutsche Bank and The Royal Bank of Scotland.

Commenting on his departure, Lloyd says: "I have been fortunate to work in five different banks during my career, but I can honestly say that HSBC has a culture like no other and has given me the opportunity over the past 15 years to grow as a leader and build some of the most wonderful friendships, for which I will always be grateful."

He adds: "I would like to thank everyone who I have worked with for the support you have given to me [...] now it's time for the new challenge to begin with more to follow soon!"

Standard Chartered Bank welcomes Nick Heale to its digital assets team.

Based in London, Heale will assist with the operational build-out for digital assets. He will report to the commodities and exchange-traded derivatives operations team in the bank's financial markets business.

He joins the bank from digital asset trading and cryptocurrency firm GlobalBlock, where he worked within the company's digital asset team.

Previously, Heale was head of securities financing at Panmure Gordon between 2017 and 2021.

Prior to this, he was a securities finance trader at MF Global and worked within over-the-counter derivatives operations at Credit Suisse.

Standard Chartered has also appointed Alexis Goeke as associate director.

Based in New York, Goeke joins the bank from Credit Benchmark, where she most recently served as an account associate. In the role, she was responsible for matching clients' needs with product capabilities, supporting end-to-end sales processes and expanding use cases.

The announcements follow a series of appointments at Standard Chartered, with David Rego named as global head of payments at the end of 2022 and a reshuffle of its board and committees in early November.

David Watson has been appointed CEO of The Clearing House (TCH), effective 1 February 2023.

He replaces Jim Aramanda, who has served as CEO and president for the past 15 years.

Watson brings more than two decades of experience to the role, more than 16 years of which were spent at Deutsche Bank. He served in a number of roles during his time with the company, including head of cash management for the Americas and global head of digital products.

Before joining TCH Watson was chief product officer at Swift, where he was responsible for product engineering, development and innovation in the company's banking, securities and market infrastructure services.

Brian Moyihan, CEO and chair of the TCH supervisory board, says: "TCH's supervisory board is grateful for Jim Aramanda's long-standing service to the organisation. During Jim's tenure, TCH continued its critical role in delivering ultra-reliable payments capabilities to the US financial system, but importantly, also introduced innovative new payments capabilities.

"We are pleased to welcome David Watson to lead TCH. David brings extensive payments experience, in-depth expertise in the field, and a strong track record of innovation. [He] will continue TCH's important work of driving adoption of real-time payments capabilities and focusing on the safety, security, reliability and efficiency of bank-owned payment systems." ■

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