Asset Servicing Times
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THE RISE OF DIRECT LENDING

Experts from MUFG Investor Services on the meteoric rise of direct lending

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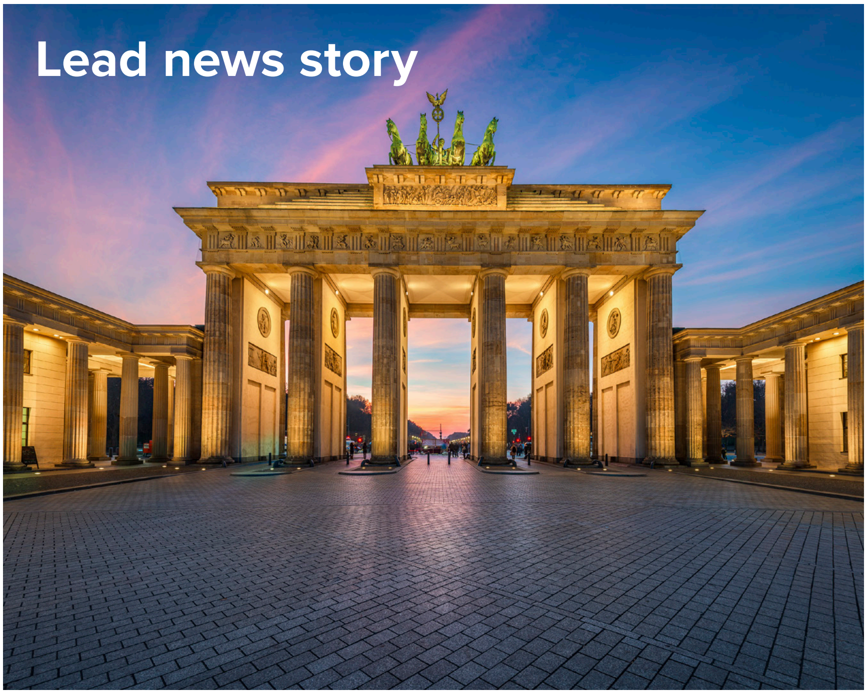

Proxymity and State Street expand digital proxy voting to Germany

Proxymity and State Street have successfully migrated Proxymity's Vote Connect Total solution for the German market.

Through the solution, institutional investors with assets held in Germany will gain real-time transparency. This will enable direct, up-to-market-deadline voting without artificial cut-offs, the firm says.

The platform seeks to remove manual processes and enhance operational workflows. Proxymity adds that the increasing adoption of custodians in Germany suggests an increasing demand for real-time, transparent, and efficient investor communications.

Dean Little, CEO and co-founder at Proxymity, says: "Germany is a key market, and we are proud to support State Street in delivering seamless, real-time investor communications that set new standards for transparency and efficiency in proxy voting.

"As we look to continue to expand globally, the successful transition further strengthens our position at the forefront of transforming investor communications as the trusted partner for market participants seeking to modernise their operations and meet the evolving needs of the industry."

Chris Rowland, head of custody, digital and fund services at State Street, adds: "As we continue to enhance our proxy voting infrastructure, this partnership exemplifies our commitment to providing our clients with best-in-class, technology-driven solutions that improve governance and operational effectiveness." ■

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Hargreaves Lansdown extends electronic voting service

Hargreaves Lansdown has extended its free electronic voting service to the US.

This comes amid an increased investment in the US from the UK. The firm states that there was almost a 150 per cent year-on-year increase in US share deals during November 2024 — the time of the US election.

Tom Lee, head of trading at Hargreaves Lansdown, says: “In recent weeks, we’ve seen an increase in voting interest around a selection of investment trusts — this has shown just how keen shareholders are to vote when there’s something to vote on that matters to them.

“With investors taking more of an interest in things like executive pay and corporate responsibility, it’s important our clients have their collective voice heard.” ■

Langham Hall relocates

Langham Hall, a provider of fund administration services, has moved to a larger premises in Admiral Park, Guernsey. This reflects the firm’s continued growth journey, and highlights Guernsey as a key region for private equity funds.

This move will provide more space to support Langham Hall’s team of 70 staff, improving the firm’s ability to deliver investor reporting, accounting, and regulatory compliance support to its international client base.

Jon Young, head of Guernsey and private equity at Langham Hall, comments: “This move emphasises our long-term commitment to our team, our clients and Guernsey as a key jurisdiction for funds. The new office provides our team with a fantastic working environment.” ■

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Shenkman Capital picks TRAction

Shenkman Capital has selected TRAction to maintain compliance with the Australian Investments & Securities Commission (ASIC) OTC derivatives reporting regulations. TRAction's trade reporting solution is said to simplify Shenkman Capital's trade reporting processes, enabling the firm to channel resources into other business functions.

Shenkman Capital also says that the collaboration will ensure continued compliance with all industry reporting standards.

"With the support of TRAction's services, the collaboration will enable Shenkman Capital to allocate more resources towards their services, whilst seamlessly maintaining compliance under the ASIC reporting regime," says Quinn Perrott, co-CEO at TRAction.

Daniel Mangiero, CEO of Shenkman Capital, adds: "Shenkman Capital is pleased to collaborate with TRAction, utilising their expertise in regulatory technology to meet its trade reporting requirements." ■

IDR rebrands to Sonata One

IDR, a private funds clearinghouse, has officially rebranded to Sonata One.
The rebrand comes after the firm's decision to transition its strategic direction, along with the enhancement of its existing know your customer (KYC) passport solution for investors.

According to the company, Sonata One symbolises harmony and the goal to be the single access point through which capital and data flow.

Commenting on the rebrand, CEO of Sonata One, Tim Andrews, says: "Our new name, Sonata One, reflects our commitment to changing the paradigm of private markets investing. By harmonising every stage of the investment process, in one platform, underpinned by globally compliant standards we're creating a seamless, friction-free private markets investment experience." ■

CIBC Mellon and BNY launch Canadian integrated investment operations solution

CIBC Mellon and BNY have launched the first integrated investment operations solution in Canada.

The launch, in collaboration with iA Financial Group, aims to further optimise its investment management technologies.

Jean-Pierre Cornillaut, managing director, chief operating officer (Investments) at iAGAM, says: "We are driven by operational efficiency, and this transformation allows us not only to increase our efficiency but also to benefit our clients and their portfolios."

The solution includes the first outsourced general insurance fund accounting solution in Canada.

Mal Cullen, CEO of CIBC Mellon, comments: "This transformation for iAGAM will serve as a model for other asset managers and asset owners in Canada who are looking to secure the future of their operations.

"This is a model that will provide a path for future investment operations not only in Canada but around the world."

Mark McKeon, global head of market tracking solutions at BNY, adds: "This mandate was forged with iA Financial Group's clear goal: to redefine its operational framework for investments and strengthen its activities to support sustained and efficient growth." ■

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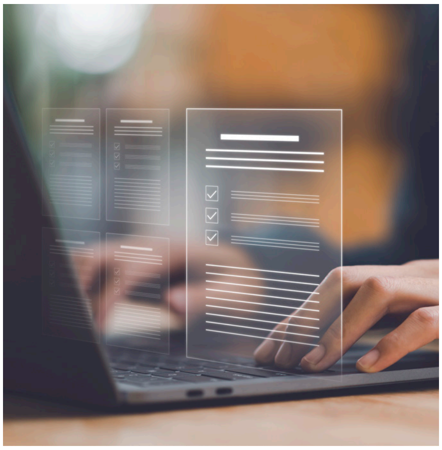

STP introduces fund administration solution

STP has released a new fund administration service, STP LaunchAdvisor.

The service is designed to deliver fund administration, investor services, and core policies for reporting advisers and private fund managers. The firm says that the new solution will provide the infrastructure and regulatory support needed by emerging managers to scale their funds.

STP LaunchAdvisor will also include access to STP's Blueprint platform, where users can receive investment reporting and analytics.

David Goldstein, director of fund administration product at STP Investment Services, says: "STP LaunchAdvisor is designed to remove complexity, reduce costs and time to market, ensure compliance, and streamline regulatory filings."

Emmy Bernard, chief revenue officer at STP Investment Services, adds: "Our solution not only supports new managers but ensures they can adapt and thrive in an ever-changing market, with technology, compliance, and operational efficiency built in to keep them ahead of the curve." ■

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Standard Chartered signs MoU to join SIX Digital Exchange

Standard Chartered has signed a Memorandum of Understanding (MoU) to join SIX Digital Exchange (SDX) in the digital securities and crypto asset space.

The bank will join SDX's Central Securities Depository (CSD) platform for digital asset custody.

Standard Chartered says that this forms part of their wider commitment to innovation and the expansion of digital asset services.

David Newns, head of SDX, says: "Their decision to join our platform marks a major milestone in expanding the Swiss digital securities ecosystem with an international bank. This step strengthens Switzerland's position as a global hub for digital assets and enhances connectivity between Europe, Asia, and the Middle East."

Margaret Harwood-Jones, global head of Financing and Securities Services at Standard Chartered, adds: "We see SDX as a pioneer and leading institution for digital securities in Switzerland, and this next step in our journey supports our ambition to grow our digital asset custody offering and will unlock even greater opportunities for our clients." ■

Zodia Custody appointed as custodian for WazirX

Ahead of its relaunch, WazirX, once the largest crypto exchange in India, has appointed Zodia Custody as its custodian.

The appointment comes amid the exchange's plans to restart nearly nine months after a hack forced it to shut down all operations.

Zane Suren, managing director of commercial for MEA at Zodia Custody, says, "Zodia Custody is proud to partner with WazirX for their much-anticipated relaunch.

"Providing our knowledge of supporting institutional clients and commitment to a compliance-first approach, we will empower WazirX and its users to seamlessly engage with digital assets in a way that protects their capital and complies with local regulation."

WazirX co-founder Nischal Shetty, adds: "As WazirX gears up to revive its momentum, the need for trusted partners who share our commitment to an agile and secure asset management system, combined with dependable insurance coverage, becomes urgent. We want to ensure we partner with the very best of the industry's custody providing solutions to build trust and confidence." ■

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NSCC to increase clearing hours

The National Securities Clearing Corporation (NSCC), a subsidiary of the Depository Trust and Clearing Corporation (DTCC), is planning to increase clearing hours to support extended trading. The NSCC aims to deliver increased client value by maximising liquidity and reducing counterparty risk by applying its CCP guarantee to overnight activity across different time zones for global participants.

Brian Steele, managing director, president of clearing and securities services at DTCC, comments: “As interest in near round-the-clock trading of US equities grows, we are meeting this demand by extending our clearing hours to support our clients and further strengthen the safety and soundness of the markets.”

The first phase of the new extended trading hours schedule was implemented in September 2024 by enabling market centres and trading platforms to submit trades at 01:30 ET — approximately two and a half hours earlier.

Under phase two, targeted for Q2 2026, NSCC will operate 24/5, from Sunday at 20:00 ET to Friday at 20:00 ET, to support overnight trading activity from alternative trading systems (ATS) and exchanges.

DTCC is working with the Securities Industry and Financial Markets Association (SIFMA), regulators, and industry participants to support the alignment of extended trading hours and any required changes to post-trade processes. ■

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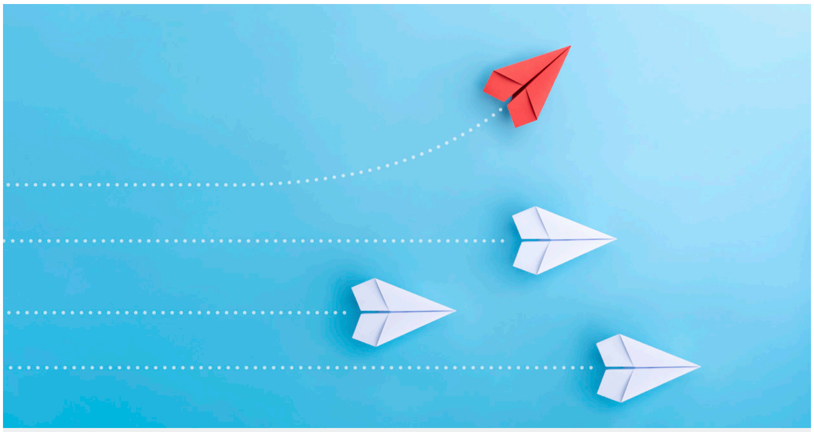
Canoe and Prime Buchholz partner

Canoe and Prime Buchholz have partnered to launch Canoe Pro Tech: Asset Data PrimePlus. The solution aims to provide integrated technology solutions from partners to enhance alternative investment data workflows.

The partnership combines Canoe’s document collection and data extraction capabilities with Prime Buchholz’s PrimePlus analytics platform to transform how investment teams analyse private market portfolios.

Tim Loughrey, head of client success at Canoe Intelligence, says: “For many teams, this manual aggregation process has become a significant operational bottleneck. We’re excited that now, using Pro Tech: PrimePlus, investment teams can automate the most laborious steps in this process — the gathering and structuring of raw data — and instead jump straight into analysis.”

Dan Ricci, head of information systems at Prime Buchholz, adds: “By combining Canoe’s data automation with PrimePlus analytics, we’re helping clients make faster, more informed investment decisions while dramatically reducing operational burden.” ■



BNP Paribas' Securities Service launches reporting solution

BNP Paribas' Securities Service business has launched its latest reporting solution on the firm's Neolink platform.

The solution, known as My Reporting, aims to offer users access to data, reports, and investment cycle workflows from a single point of contact.

The company says that the introduction of the solution will better aid investors in meeting reporting compliance requirements, as well as allowing them to have greater control over investment data.

Jean-Marc Friess, chief digital services officer at BNP Paribas' Securities Services, says: "The roll out of My Reporting marks a new era of reporting on NeoLink, where we continue to help clients streamline their reporting workflows, controls and processes." ■

Sahm Capital joins AFCM

Sahm Capital has become a member of the Arab Federation of Capital Markets (AFCM).

The membership will enable the company to collaborate with other market participants and contribute to the continued growth of Arab capital markets, Sahm Capital says.

Having established themselves in Saudi Arabia, the firm also says that membership into the AFCM presents a wider opportunity to offer financial services across the region.

Chairman of Sahm Capital's board, Steven Chou, comments: "Joining the Arab Federation of Capital Markets is an important milestone for us as we continue to build upon our success in Saudi Arabia and extend our presence across the wider Arab world." ■

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The rise of direct lending

Transforming the global alternatives landscape

Following their recent white paper, MUFG Investor Services' Treabhor Mac Eochaidh and Des Fullam speak to Justin Lawson about the meteoric rise of direct lending

The landscape of global finance has undergone a remarkable transformation in recent years.

As traditional banks retreated from certain lending markets following the Global Financial Crisis, direct lending emerged as a powerful force, reshaping how businesses access capital and finance multi-billion-dollar transactions, as well as how investors seek returns.

To gain deeper insights into this evolving sector, Asset Servicing Times sat down with two industry experts who recently collaborated on a white paper, 'A Market Matures: Navigating the Rise of Direct Lending'.

The explosive growth of private credit

Your white paper highlights remarkable growth in the private credit market. Can you put this growth into perspective?

Treabhor Mac Eochaidh: The numbers are truly staggering. Depending on methodology, current estimates of private credit assets under management (AUM) vary but it is clear that the numbers continue to increase.

For example, private credit assets under management topped US$3 trillion globally in 2024, according to research from the Alternative Credit Council.

To put that in context, industry stakeholders observed that private credit AUM were roughly 10 times larger at the end of 2023 than it was in 2009. Even more impressively, private debt assets doubled from US$818 billion in 2019 to US$1.6 trillion by September 2023.

Des Fullam: What is particularly interesting is where this growth is projected to go. Preqin forecasts that total private debt AUM will grow at a compound annual growth rate of 9.88 per cent from the end of 2023 to 2029, reaching US$2.64 trillion. Within that, direct lending specifically is showing the strongest growth trajectory, with projections suggesting it will reach US$1.33 trillion by 2029.

What is driving this explosive growth?

Fullam: Several factors are at play. After the Global Financial Crisis, new regulations forced banks to hold more capital and reduce their risk exposure. This created a void in lending markets that direct lenders stepped in to fill. Initially, direct lenders focused on middle-market companies that were too small for public markets or had specialised needs.

Mac Eochaidh: Then, as interest rates rose and equity markets stalled, investors increasingly turned to direct lending as a way to increase returns. The floating-rate nature of most direct lending provides protection against inflation, typically offering returns ranging from 5 to 9 per cent.

Additionally, the resilient structure of closed-ended funds proved attractive during periods of economic uncertainty.

Transforming transaction dynamics

Your report highlights some massive direct lending deals. How is this changing the financial landscape?

Mac Eochaidh: One of the most attractive features about tapping the direct lending space, particularly for large transactions, is that speed of execution is typically much faster than in public markets.

Companies raising capital through public markets must disclose extensive financial information to numerous counterparties and conduct road shows with lenders. In contrast, direct lending transactions can be completed much more rapidly, often with fewer counterparties involved.

Fullam: We are seeing this play out in transformative deals across industries. For instance, in the past year, transactions by Apollo Global Management, BlackRock, Ares Management, Blackstone, and others are examples of how direct lending funds are providing financing that would have traditionally been managed by public financing and syndications.

We see these deals as part of a 'virtuous circle' — investors pour capital into direct lending funds, which grow significantly, and then those asset managers become lenders of choice to finance transactions throughout many industries.

How are smaller players competing in this space?

Fullam: While large firms dominate fundraising, smaller and mid-sized firms are competing effectively by specialising in specific, niche industries like technology, healthcare, and infrastructure. They are leveraging their agility and deep industry knowledge to target up-and-coming firms in places like Silicon Valley and other technology corridors.

Mac Eochaidh: These smaller funds often have a distinct advantage in terms of speed. With less internal bureaucracy, they can move quickly to provide capital to innovative companies. This is particularly valuable in fast-moving sectors where timing can be everything.

The retail investor influx

Your report mentions retail investors are increasingly entering the private credit market. What challenges does this present?

Mac Eochaidh: Traditionally, private credit funds raised money from a handful of sophisticated institutional investors subscribing with tens or hundreds of millions of dollars.

The emergence of retail investors means fund managers may end up working with hundreds or thousands of new investors with varying amounts of capital, making it more challenging to manage capital calls and drawdowns. And it is critical to ensure retail investors fully understand the distinctions and suitability of private markets.

Fullam: There is also a fundamental difference in expectations. While institutional investors like insurance companies or pension funds have been comfortable trading access to their capital for illiquidity premiums, retail investors typically want some liquidity with their investments.

Fund managers are exploring approaches to provide that liquidity, such as placing some money in liquid assets for redemptions while deploying larger amounts into less liquid investments.

How significant is this retail influx?

Fullam: It is substantial. By some estimates, retail investors may bring as much as US$1.3 trillion into the global private markets. When you add that to another US$3.9 trillion in asset managers' uninvested capital — known as 'dry powder' — plus the shift from the traditional 60/40 capital allocation mix toward alternatives, we are looking at significant global opportunities and challenges for private markets.

The outsourcing imperative

Your report suggests a significant trend toward outsourcing. Why is this happening?

Mac Eochaidh: To better manage the influx of capital coming into private debt, managers are developing deeper partnerships with trusted outsourcing partners. Together, they are reengineering operating models to improve efficiency, manage and drive asset growth, and introduce new products and services.

Fullam: According to Carne's Supermodel report, more than half of firms with proprietary management companies plan to outsource additional functions through a managed services model during the next two years. This includes regulatory reporting, sustainable investment support functions, and distribution.

Additionally, 29 per cent of surveyed firms indicated they might fully outsource management company responsibilities to support new products.

What specific functions are being outsourced?

Mac Eochaidh: The breadth of outsourced solutions is extensive — from fund and loan administration to fund financing, transfer agent services, banking and payments, and business consulting. Asset managers are tapping these solutions to improve functions like aggregating investments, creating dynamic subscription forms, automating KYC/AML processes, improving documentation, and delivering fund valuations efficiently.

Fullam: For smaller specialist firms, trusted partners can provide strong teams and battle-tested platforms that deliver economies of scale, helping level the playing field when competing against larger managers. Partners can also provide access to new market aggregators like iCapital and CAIS.

Regulatory challenges

What regulatory challenges are direct lenders facing?

Fullam: Globally, regulators are very aware of the growth of this multi-trillion-dollar asset class that's playing a dominant role in financing large transactions. They are demanding more clarity, greater reporting precision, and a better understanding of ramifications by adopting new rules and frameworks.

Mac Eochaidh: European regulators have already implemented the Alternative Investment Fund Managers Directive (AIFMD) Annex 4 reporting, which requires managers to provide information in more than 300 data fields. Amendments to the EU's AIFMD II focus on revisions to investor disclosure, liquidity management, and marketing requirements, among other areas, and must be enacted by EU member states by April 2026.

How are managers responding to these challenges?

Fullam: Rather than building their own systems, asset managers are increasingly using common data platforms built by outsourcing partners that standardise reporting fields, collect and process data, and translate information into standard syntax. These systems create golden sources of data held in secure data lakes to help harmonise investor reporting and meet multi-jurisdictional disclosure requirements.

Mac Eochaidh: We are seeing managers use partner-developed platforms to meet reporting deadlines for Form PF rules and AIFMD Annex 4 filings. For instance, one asset manager marketing in 11 European jurisdictions — each with varied requirements — is using a platform to extract and verify data, format each report, and submit those filings simultaneously, resulting in significant time and cost savings.

The future outlook

How might the recent interest rate cuts affect the direct lending market?

Mac Eochaidh: The Fed's decision to lower interest rates in September 2024 has spurred activity in the asset class. Since most current loans are floating-rate instruments based on percentage points above the Fed rate, the floating-rate spread will remain, but absolute returns will likely go down from current levels.

Fullam: Lower rates will also be welcomed by borrowers as an impetus to refinance existing facilities or assist funds that want to exit investments and repay capital to investors. During the higher rate environment, many borrowers implemented 'extend and amend' approaches with their lenders, adjusting agreements with slightly different conditions to cycle out of some positions.

What new opportunities do you see emerging in direct lending?

Mac Eochaidh: We are closely monitoring opportunities to use direct lending to finance government infrastructure, climate, and energy initiatives around the world. Private, asset-backed financing is a growing trend because these transactions include collateral that lenders can target if borrowers have difficulty repaying loans.

Fullam: Opportunities are also arising in significant risk transfer (SRT) transactions, as banks optimise their capital efficiency and share risk with private credit funds that want more exposure. As the amount of capital being invested in private credit increases, so does the universe of investable assets.

Concluding thoughts

As we wrap up, what would you say is the most significant impact of direct lending's rise?

Fullam: Perhaps the growth of private credit is best explained by the fact that when direct lending transactions are successful, there are multiple winners. Investors benefit because companies borrow money efficiently, resulting in higher profits for shareholders.

Stronger returns for pension funds and insurance companies should flow down to individuals who will receive higher retirement payouts or potentially lower insurance premiums.

Mac Eochaidh: And from a systemic perspective, risk is reduced as lending is primarily carried out by closed-ended funds with significantly lower leverage than banks.

The growth of direct lending represents a fundamental shift in how capital flows through the global economy, and we're only beginning to see the transformative effects this will have across industries and markets. ■

Treabhor Mac Eochaidh
Global head of private debt
MUFG Investor Services

Des Fullam
Chief regulatory and client solutions officer
Carne Group

Are rightful returns on securities being left to languish?

Stephen Everard, CEO of TaxTec, considers how technology can help improve the efficiency of withholding tax reclamation on foreign securities and drive portfolio returns

As iconic Canadian investment personality Kevin O'Leary said: "Never invest in a security or a stock that doesn't pay a dividend or interest."

That may be a surprising comment in markets that have moved inexorably upwards for the last 15 years (give or take a few notable wobbles such as Covid-19).

His advice is easy to dismiss as old school. Hold hard though. We have known major market corrections. And a range of studies underline the ongoing significance of dividends in the analysis of total returns.

One analyst tells us that over the last two decades, dividends have been responsible for around 25 per cent of the average monthly total return clocked up by the MSCI World index, at the same time as contributing practically no risk.

It does not take a genius to recognise that if dividend earnings are re-invested in equities, then they morph into compound capital and accelerate share value growth.

Investor types

Of course, different types of investors have different drivers and motivations. The pure accumulation of savings, prior to eventual drawdown, can focus purely on total returns from whatever source — earnings distribution or capital increment.

There is no need to be concerned about income. But if we look at a pension fund, the art of good and responsible fund management is to balance capital growth while also meeting the liquidity needs for paying retired beneficiaries.

Other studies also track a correlation between dividends and corporate financial health.

Analysts note that over the long term, dividend growers and initiators have generated higher returns with less risk, measured by standard deviation, than companies that maintained their dividends, paid no dividend and reduced or eliminated their dividends.

The conclusion has to be that dividends (and bond coupon income) form an important part of total returns, and that every effort should be made to maximise them, whether from an asset and investment management point of view, or from an investment services perspective.

Foreign securities

Furthermore, the popularity of foreign stocks is also attracting increasing financial volumes. Data from the International Monetary Fund (IMF) reveals income from foreign stocks and bonds steadily growing over the last ten years.

Further analysis of this IMF data shows how foreign investment portfolio values have changed over a 10-year period. The totality of cross-border securities investment has increased by 58 per cent over the period. If we apply this to one country — the United Kingdom — we see that total assets under management in UK institutions increased by just over a third in the last decade; by comparison, the UK's foreign equity investments expanded by over half.

This is where attention paid to tax matters becomes crucial.

UK Investors

Portfolio value in foreign equities 2013-2023 ($ million)

Tax withheld

Share dividends (and bond coupon) paid on investments held in a foreign jurisdiction are subject to withholding tax. No surprises there.

But the percentages involved can be significant. Especially if the reclaimable proportion of this withholding tax is not efficiently reclaimed (a proportion is not reclaimed — of which, more later).

To illustrate this issue, a few examples are revealing. The statutory withholding rate in most European countries is between 20 and 30 per cent.

A few are lower, but Switzerland is higher at 35 per cent. Of that percentage withheld, 10-15 percentage points can be reclaimed.

Again, in some double taxation treaties the reclaim rate is lower, but in others, all withholding tax can be reclaimed. The matrix of treaties is complex and varied, but the general point is that funds who do not reclaim withholding tax are depriving investors of a significant part of their rightful returns. In what other circumstance would it be acceptable to investors to throw away 15 per cent or more of their investment income?

The reality is that about one-fifth of all reclaimable withholding tax on foreign dividends is not recouped for investors. That is clearly an issue not just around the maths of total returns, but also an ethical point around the fiduciary duty of asset managers and asset service providers to deliver maximum possible returns to investors.

Unreclaimed volumes

So, how much does the unreclaimed portion represent?

Every year, TaxTec has compiled an analysis of the unreclaimed withholding tax gap, an analysis our founders have been carrying out for over 15 years.

Our latest study provides the most up-to-date global estimate as US$16.4 billion, with US cross-border investors missing out on over US$3.8 billion in rightful returns. UK Investors are leaving US$1.3 billion in unreclaimed withholding tax on the table.

There is no doubt that the reclamation process is complex and bureaucratic. Historically, investment administrators have sometimes concluded it to be uneconomic, costing more to do than the sums recovered.

Also, capital gains on stocks have prospered over the last two decades of a (mainly) bull run, it is all too easy to classify the benefits of reclaimed returns as less significant. Yet, recouped dividends make an important contribution either to current liquidity needs and/or to overall fund growth that itself may be re-invested to capture more capital growth.

And, as noted at the beginning of this brief article, long-term returns from equities investments are focused on dividends as much as capital gains.

With the assistance of modern technology — often AI-driven — there really is no excuse nowadays for this unreclaimed withholding tax to languish unrecovered.

Today's technology

As a preliminary, it is worth looking at systemic benefits of technology-enabled withholding tax reclaim processes. For instance, in the US, foreign companies are often listed in the form of an American Depositary Receipt.

The issuer of the security elects a depository (depo) bank to manage their alternative dispute resolution (ADR), including tax reclaims (actually administered by a tax service agent). Clearly it would be advantageous for the depo bank to easily see how the reclaim process is progressing across the period until final notification. Digital technology is now allowing that progress to be visible, both in value and in volume terms, as it happens.

This means the depo bank can manage its internal workflows and cashflows much better.

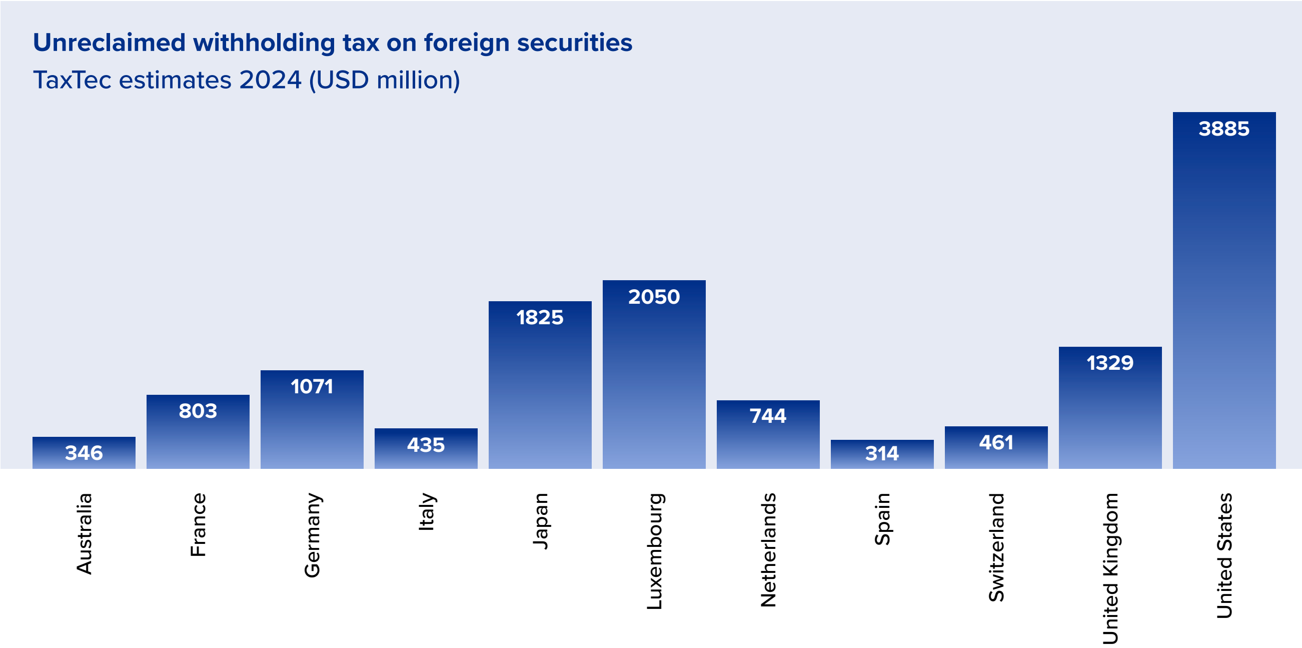
Turning to custodian banks (who manage reclaims for a portfolio, fund, or asset manager) these same digital capabilities make for a much more efficient and cost-effective service provision to its claimant clients.

First, the claimant sends the custodian data for its proposed reclaims. These can now be automatically and instantly validated — as to whether the data is correct and complete, whether a bona fide claim can be made, whether it sits within or outside any statute of limitations, and so on.

This capability is a huge bonus to both custodian and claimant. Considerable manual effort (and therefore cost) is eliminated and processes are greatly accelerated.

Second, the value and volume of reclaims can be viewed in real-time by the custodian, regarding their progress through the key stages of a reclaim — calculation/validation, documentation, authorisation, submission, and decision (payment, refusal, part payment, request for more information). This enables the custodian to provide accurate, more usable and more timely information to claimants.

Third, and most importantly, analysis can reveal where bottlenecks are occurring, allowing the custodian to determine their cause and whether any remedial action can be taken to speed up the reclaim process. A good example might be where preliminary documents are being held up at the beneficiary level. In this instance, the claimant and custodian might give power of attorney to the tax service provider to avoid this delay.



Similarly, delays at the tax authority end can help trigger investigations about internal resources and procedures to fix the issue. Equally, delays at the claimant end can help trigger investigations about internal resources and procedures to fix the issue.

Finally, by receiving this comprehensive and up-to-date progress information from the custodian, the claimant is able to manage its cash flows and portfolio strategies better than before.

Conclusions

In short, the efficient reclamation of withholding tax on foreign securities can make a significant difference to portfolio returns and tax efficiency.

Modern technology is improving the processing of reclaims and — inevitably — reducing costs. Considerable sums are at stake, with billions lying unreclaimed. Investors should be receiving their rightful returns, including tax reclaims where eligible. Indeed, for pension fund managers and trustees, and for their asset service providers, this is their fiduciary duty. The sums being left on the table should be delivered to rightful recipients, through the power of today's technological capabilities. ■

Stephen Everard
CEO
TaxTec

Working together

The payments industry plays a pivotal role in asset servicing, but there remain serious challenges — including money laundering — to overcome

Jack McRae reports

As instant and shorter settlement cycles continue to dominate discourse in asset servicing, the payments space is growing both in scale and importance.

With this increased pressure comes a greater need to advance and innovate solutions that can keep pace with the ever-changing industry. Yet, several challenges remain and the industry is now searching to modernise its practices.

At the click of a finger

Evolving the payments space to help tackle some of the overarching challenges in the industry is paramount, and Bana Akkad Azhari, head of BNY Treasury Services for EMEA, believes that a few steps need to be taken to get there.

"Modernising the payments space requires a shift toward greater standardisation, automation, and transparency, and ISO 20022 is playing a central role in this transformation," she says.

"While banks may initially question the return on investment, the benefits of ISO 20022 will become more evident as adoption expands. Ultimately, standardisation and automation are key to making global payments faster, safer, and more transparent."

Likewise, Will Marwick, CEO of IFX Payments, wants greater efficiency and speed. He explains: "If I could click my fingers, I think the interconnectivity of real-time payment systems is what we would want to be able to achieve."

However, Marwick understands that this is not a simple issue and, as has always been the case with cross-border payments, political complexities can prove to be a large obstacle. "The challenge is more than just technical, it's political," he says. "It's all about cash and who holds what in any jurisdiction. It is not the easiest problem to solve, and it is something that maybe we will never, ever solve, but it is one that I think we can go a long way to improving."

Jim Conning, banking and alliances director at AccessPay, adds that technological overhaul may not be the way forward. He claims that "we mustn't innovate for innovation's sake.

"Where we have trusted payment rails, we can improve those through innovation, but not completely change them because they're trusted by the community, by both organisations and consumers alike."

He does point to how AI can be utilised in a more effective manner that will allow for auto-reconciliation which means, "as trust builds in these systems, the manual reconciliation workload could dramatically decrease."

These arguments are juxtaposed by Steve Marshall, director for advisory services at Finscan. He insists: "Financial institutions, fintechs, and other organisations need a future-proof compliance solution to help them secure transactions, reduce risks, and maintain regulatory compliance — at real-time speeds."

Marshall believes that the current systems are outdated and are in urgent need of revamping if they are to defend against the biggest challenge the payments space faces — money laundering.

Being smarter

"Traditional anti-money laundering compliance systems were built for slower settlement cycles and much less payments data, so they struggle to keep pace with real-time transaction processing," Marshall says. "They aren't built for real-time transactions or complex workflows, requiring more data points to screen against."

He continues to state that "as financial transactions speed up, so does the potential for financial crime — money laundering, sanctions violations, and fraud.

"With geopolitical instability and rising sanctions activity, organisations must continuously update sanctions lists and customise watchlists for different jurisdictions. False positives remain a significant challenge. Smarter, risk-based screening approaches are essential to maintaining speed without compromising risk management and compliance."

As per IFX Payments' Marwick, "money laundering will always be the main thing that I think keeps people in payments up at night."

But he believes the key to countering this is by the industry working together and through the process of standardisation.

"I think firms can be looking at a whole host of things. From a swift messaging perspective, you've got ISO standards being introduced and the additional data is going to be hugely important," he explains. "The introduction of not just rules based systems, but also behavioral systems — tracking IP addresses, tracking how users use their mouse — making sure that this is the same person, will go a long way."

Marwick points to how criminals and bad actors will be using their own AI tools to beat financial institutions and their systems — so the institutions must also use the best technology to bolster their defences.

Above all, however, he says that "the industry has an obligation to work together. We're all in healthy competition with one another, but we also have a community and an industry to protect. I think the only way we can combat money laundering trends is by working together."

Automation fixation

One thing is clear, members of the industry are adamant that eliminating manual processes is key to taking payments to the next level. Marwick explains that "the reality is every firm across the whole industry will have manual processes that are still operating in the background. How can you truly scale that in terms of digital infrastructure to be operationally resilient from cybersecurity through to growth and scalability?"

BNY's Akkad Azhari a suggests that manual interventions are costing the industry dearly. She explains: "While straight-through processing is possible for the vast majority, about five per cent of cross-border payments encounter some friction before they reach their destination, resulting in manual interventions that cost the industry upwards of US$2 billion per year.

"When a payment exception occurs — for reasons such as incorrect payee details or missing information — this can cause frustration for the payer and payee. That frustration may also be exacerbated by how complex and cumbersome payment investigations can be, resulting in additional costs and substantial delays."

Akkad Azhari continues to add that many banks are acting "merely as middlemen" by performing message forwarding tasks. She argues that this creates additional work and takes up time that could be spent elsewhere.

Martin Hargreaves, chief product officer at Quant, also believes efficiency must be improved. He identifies that "one of the biggest trends across payments is the rise of programmability. The UK has long been a leader in payments innovation, but with international competition hotting up and the challenge of alternative payment forms like cryptocurrencies on the rise, we must continue to find new ways to unlock efficiencies.

"The rising use of stablecoins is a big opportunity for banks too — particularly the cross-border remittance side."

Data as a driver

You cannot talk about payments without focusing on data. AccessPay's Conning argues that accurate data is "absolutely vital because we're not just processing transactions — we're enabling critical financial decisions."

Data can be important to tackling money laundering and fraud. "When we enhance payment data, organisations can make strategic decisions that wouldn't be possible with basic transaction information alone," Conning says.

"In the payments industry, accuracy is just the starting point — it's the enrichment of that accurate data that delivers the real value."

Quant's Hargreaves goes further, suggesting that "accurate data is the backbone of the payments industry, where even the smallest discrepancies can have significant financial and regulatory consequences."

He continues: "High-quality, accurate data is a strategic asset too. It can give financial institutions a competitive edge across a range of fronts, from helping them refine risk assessment models, to personalising customer experiences and enhancing fraud detection systems.

"With competition higher than ever, having accurate data is fundamental for banks and PSPs to offer their customers smoother transactions and more robust security."

What next?

But if all these experts could be granted one wish to improve the payments space, what would it be?

BNY's Akkad Azhari and Quant's Hargreaves focus on fraud prevention. The former explains that, "as digital payments grow, so do fraud schemes — especially tactics like credit push fraud and account takeovers.

"Traditional fraud prevention methods often work in silos, with institutions relying on their own data, making it harder to detect emerging threats.

"To combat this, the industry must move toward greater transparency and collaboration in a secure manner. Enhancing data sharing across financial institutions can help identify fraud patterns more quickly and strengthen defences."

She outlines that "by fostering a culture of shared intelligence and leveraging advanced fraud detection technologies, the industry can create a more unified and proactive approach to combating financial crime."

Quant's Hargreaves says: "I expect to see significant investment in fraud detection and prevention over the next year or so. In the first half of 2024 alone, over £200 million was lost to Authorised Push Payment fraud in the UK. These numbers are simply too high, and the scale of the problem demands wholesale change in how we approach the fraud epidemic."

Offering a different approach, AccessPay's Conning says he would like to see "a consolidated payment rail that offers choice of payment speeds — this would give businesses the flexibility to offer what's appropriate for each situation."

He believes that this would help enable organisations to make immediate payments while customers are on the phone for urgent matters. He adds that this can be done while using standard processing for routine transactions.

Connings argues that, "this kind of customer-centric approach would significantly enhance service quality, particularly in financial services, while maintaining the efficiency benefits of our existing trusted payment systems. It's not about radical change, but about smart integration that benefits all stakeholders in the payment ecosystem."

Finscan's Marshall also calls on the industry to transform.

"The entire world is watching the payments space evolve, and companies are expected to adopt the latest standards and extend the benefits of such tech to their customers," he says.

"Companies that delay action due to lack of infrastructure investments or regulatory uncertainty risk falling behind in a rapidly evolving financial landscape. Those that fail to adapt may lose their competitive edge and customers in the long run."

It is apparent that members of the payments industry want the space to evolve, but they will have to work together to tackle some of the growing fraud and money laundering challenges.

Man vs machine

Roy Saadon, CEO and co-founder of AccessFintech, speaks to Clelia Frondaroli on the impacts and implications of artificial intelligence

Building a business is tough, something Roy Saadon, CEO and co-founder of AccessFintech, knows all too well. After all, he has founded two of them.

Having sold his first company, Traiana, back in 2016, a number of other opportunities eventually led him to notice a gap in the market with his current venture, AccessFintech: “There was so much innovation and opportunity in the market, it felt like it was time to do the next thing.”

The journey, however, has not been straightforward. “When I first started trying, I knew nothing about the market and had no networks,” he says. “Now, I have scars on my back. I know what mistakes to try and avoid.”

So with the networks now built, the connections established, and the scars to show for it, how is AccessFintech making leaps and bounds in the industry?

That answer may lie in AI.

Just a commodity?

When AI entered mainstream conversation a couple of years ago, the possibilities appeared limitless.

Yet, despite the many conversations, discussions, and debates that have been had in the intervening time, the lasting impact of the technology is still shrouded in a veil of ambiguity. Have then, the impacts of the technology been overestimated? And is the excitement surrounding AI beginning to wane?

“It’s not a question of whether AI is beginning to die,” Saadon begins, “it’s a conversation that has changed due to a more mature environment.”

Having established Synergy, a network powered by data and AI-driven insights, for Saadon, the impact of AI has been much more transformative than other technologies in the sector, such as crypto and blockchain. In these cases, “there was definitely a lot of [initial] excitement.

The transformative nature of it however, hasn't been as significant as expected. It is now simply part of the infrastructure and technology."

Rather, Saadon believes that the sudden expansion of the tech has led AI to become commoditised "very quickly", although he frames this in a positive context. The nature of AI, he explains, means that almost anyone now has the ability to create, run, and develop the infrastructure and models that drive artificial intelligence; models which have been duplicated and used in firms across the industry.

"I think the technology of AI has matured rapidly. The use cases are plentiful, and the conversation is now shifting," he says. "The questions we have to ask now are, do I have a trusted enough dataset and a wide enough angle on it to allow AI models to train and extract value from it?"

Trusting in the data is a concept that rings familiar for any corporation, large or small, that has employed AI within their operations over the past few years. Skewed, or 'dirty' datasets, that have been unknowingly fed into AI models have the capacity to create inaccurate and unreliable outputs, with the potential to undermine an entire organisation.

"AI is really hungry for data," Saadon reaffirms, "now whether the data is full of false information or not, that's a different story."

But it is a story that cannot be overlooked. In a world where data can be regarded as a commodity which can be exploited in the wrong hands, how are firms able to ensure that the ethical implications of data, and the AI that feeds off of it, are mitigated, if not controlled?

When faced with this dilemma, Saddon asks himself two things: "Can I increase the breadth of the contributors of data? And can I use references to make sure that the data is actually verifiable, and identify and extract bad data from it?"

By using these methods, along with critically examining where the data has been derived from and "the continuous retraining of the [AI] tool", Saadon believes he has a fighting chance at tackling the serious ethical and security concerns attached to data. In his line of work, he is keen to make this point clear: "Protecting data is the number one cardinal rule."

"So to protect that data, we need to make it a persistent, immovable thing, and give firms the permission to access it. Because by sending data around to every destination, that's when you lose track of it." And once data goes missing, he warns, appearing grave for a moment, "there is no way of knowing what people have done with it."

Optimising AI

When asked about what may lie ahead for the future of AI technology, Saadon reflects for a moment before offering a perhaps more philosophical answer: "Do I want machines to replace every job a human does? Not necessarily, right? That's not what drives me. But can we do better? Can we optimise?"

Rather than looking at AI solely through the lens of replacing a human workforce, Saadon presents two cases in which AI has helped, not harmed, the firms and clients he works with.

"[With AI] we looked at two things. We looked at jobs that are very repetitive, and as a result, error-prone." These jobs, such as data clean-up, require rigorous manual checking, where AI, through its ability to clean up data on a mass scale, can help ease the toll the work places on employees.

"The second case is where the volume of data is so large that it is hard to draw conclusions from it," Saadon continues. "When the overall picture is lost within monumental amounts of data, we can use AI to analyse and draw conclusions from it."

In these two areas alone, he says, it is easy to see the benefits of the technology, where AI has been employed as a tool to both detect errors and digest data. Although he notes these use cases as two ends of the extreme, they provide a starting point in which the advantages of AI can be clearly measured and seen.

Going beyond this starting point, Saadon envisions the next steps for the technology: "How can AI be used across the whole industry in a way that it does not need separate initiatives for every single firm? What is shareable and mutual, and what can be differentiated?"

How and when this will be implemented across the sector is yet to be known. However, Saadon remains assured that his business, and the technology that it is centered around, will have a lasting impact on the industry.

"When I'm working on AI," he says confidently, "it is for the whole industry." ■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Industry Appointments

Rajaram named as Broadridge's latest senior leadership hire

Swatika Rajaram has been named as president of bank and broker-dealer investor communication solutions for Broadridge.

She enters this role from her previous post as senior vice president and head of US proxy and prospectus solutions, where she served for two years. Rajaram has also held a number of management and senior leadership positions over her 10-year career at the company.

Based in New York, she will be responsible for leading Broadridge's regulatory solution for banks, broker-dealers, and global custodians, including institutional voting and class action solutions.

On her appointment, Doug DeSchutter, co-president of Broadridge's Investor Communication Solutions business, comments: "I am confident that under Swatika's leadership, we will elevate Broadridge's efforts in leveraging digital and AI technologies to continue to enhance the investor experience and to bring capabilities to market." ■

Seiter joins AllUnity

Simon Seiter has joined AllUnity as managing director, chief financial officer, and chief product officer.

Seiter possesses a strong background in developing regulated digital asset businesses having held the position of head of digital assets at Deutsche Börse Group and Hauck Aufhäuser Lampe.

Seiter comments: "My core driver is to build a core component for the future of digital assets. We will extend the value chain of stablecoins as financial products for the whole economy."

Alexander Hoeptner, CEO of AllUnity, adds: "Simon's dual role ensures that we maintain robust governance while fostering product innovation, positioning AllUnity for a strong competitive edge."

SIX promotes Santos to Head of REGIS-TR

SIX has promoted María Santos to head of REGIS-TR, effective 1 April, succeeding Thomas Steimann who is set to retire. Santos has been working at REGIS-TR as a managing director since March 2024, where she was responsible for client, regulatory, and business development, as well as product departments.

She also led the REGIS-TR's migration to the SIX Group, after the firm acquired Clearstream's remaining 50 per cent stake in March 2022.

Before joining REGIS-TR, Santos held various management positions within the company.

Between 2019 and 2024, Santos worked at Iberclear, a subsidiary of Bolsas y Mercados Españoles (BME) which serves as Spain's central securities depository.

Kaizen adds Perrotte and Husler as non-executive directors

Kaizen has appointed Kathy Perrotte and Mark Husler to its board as non-executive directors.

Based in New York, Perrotte co-founded ActiveViam, a global provider of advanced data analytics software, including risk and compliance solutions for financial institutions, and was appointed CEO in 2021. In 1990, he co-founded Summit Systems, a software provider for banks' trading, risk management, and back-office operations.

Based in London, Husler has more than 25 years of management experience within the financial services sector, including companies like Citigroup and the London Stock Exchange Group (LSEG). He co-founded and led UnaVista, a division of LSEG, as CEO for 15 years, where he scaled the business from a start-up to a global regulatory reporting solution, supporting over 1,000 sell and buy side clients, including Tier 1 investment banks and asset managers.

Fisher joins Ocorian

Elizabeth Fisher has been welcomed as the global head of partnerships for Ocorian. In her new role, Fisher will be expected to lead strategic partnerships alongside supporting the company's growth ambitions across its global business. Prior to joining Ocorian, she acted as head of investment at Restitution Capital. Fisher holds more than 30 years of experience within law, litigation finance, and business development, and has served in a number of firms including Burford Capital and Axiom.

Commenting on the appointment, Frank Hattann, chief commercial officer at Ocorian, says: "Elizabeth's breadth of expertise will be a huge asset to Ocorian and her leadership will play a key role in strengthening our global partnerships."

Northern Trust names Brown

Northern Trust Asset Management has named Tim Brown as head of UK sales.

In this role, Brown will be responsible for driving the firm's sales strategy and expanding its presence in the UK.

He will report to Rutger Maenen, head of sales for EMEA.

Lyenda Delp, head of global institutional client group at Northern Trust, says: "His appointment complements recent hires across our broader international business in the fixed income, quant and stewardship teams, as we continue our commitment to growing our regional capabilities and services."

Clive Bellows, president for EMEA at Northern Trust, adds: "Tim's experience and track record further increases and complements the depth of expertise and talent we deploy across our regional franchise.

"Across our range of asset management, asset servicing and wealth management solutions, we continue to grow our collective capabilities to help our clients achieve their strategic objectives as their trusted adviser and partner." ■

Maples Group hires Ali

Maples Group has appointed Shohel Ali as vice president as it looks to expand its UK fiduciary services team. With over 14 years of experience in the financial industry, Ali has expertise within the structured finance industry.

This tenure includes working on HSBC's securitisation desk for a number of years, and as a solicitor focusing on securitisation, fund finance, and structured real estate debt for a number of law firms.

Jacques appointed to ISITC Board of Directors

Laura Jacques has been appointed to ISITC's Board of Directors.

Jacques has over 20 years of experience within the financial services industry and has been working as vice president of trade operations at Fidelity Investments.

She has also held various leadership roles within their fund and investment operations division.

Vedovelli named group COO at Supernovae Labs

Stefano Vedovelli has joined Supernovae Labs as group chief operating officer. In this new role, he will focus on operational growth and development. Vedovelli says he will seek to scale the business' capabilities by "harnessing the disruptive power of startups".

He leaves SmartStream Technologies, where he had been working for over two decades, leaving the post of product manager for AI, Analytics and Education. ■