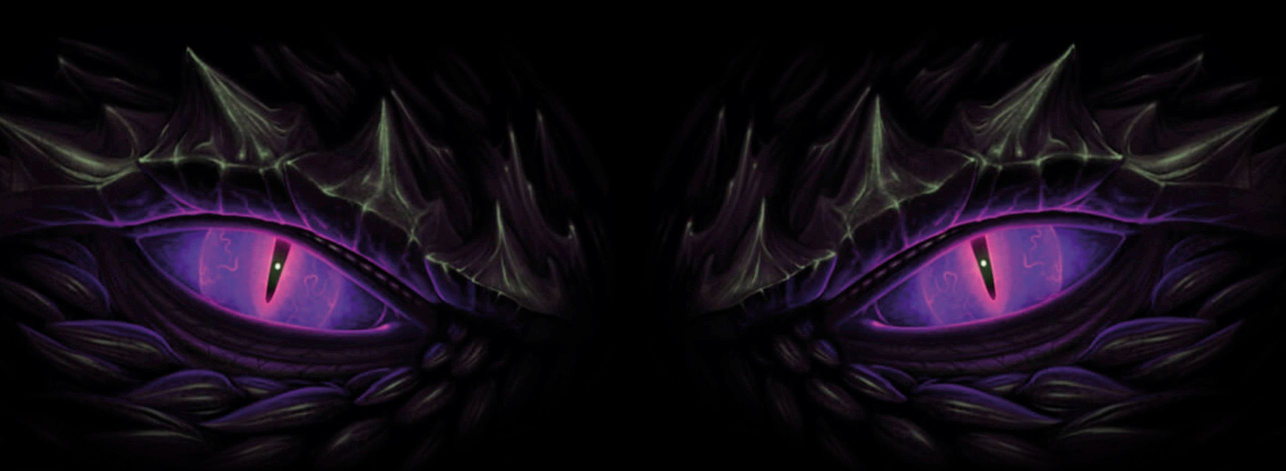
REGULATION HANDBOOK 2025



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ASSET SERVICING TIMES

Regulation Handbook 2025

Regulation, as always, looks set to dominate much of the financial markets heading into 2025. In the US, the incoming Trump administration, as well as a Republican House and Senate, has the potential to shift the underlying landscape not just domestically, but on the international stage as well.

In this Asset Servicing Times Regulation Handbook, we cover the broad range of policies set to impact the markets this year. We hear from industry experts regarding the potential impact of each regulatory initiative, touching on areas ranging from reporting transparency to the impact digitisation has on regulation.

John Kernan, CEO at REGIS-TR UK, SIX, suggests there is no time to rest post-EMIR Refit, while Broadridge's Demi Derem questions whether the market is really ready for DORA.

The US Securities and Exchange Commission's 10c-1a disclosure rule gets analysed by Igor Kaplun and Jonathan Tsang of S&P Global Market Intelligence Cappitech, while Paul Rennison, director of Strategy & Corporate Development at deltaconX, looks at the various challenges imposed by reporting requirements.

With the growth of digitisation, tokenisation, blockchain and AI, both regulators and those subject to their oversight look set to face even greater challenges as yet unknown. This year seems likely to have much in store for the industry — best be prepared.

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Contents

06

News Focus

The latest news on global regulation

16

Outlook

The industry focuses on how regulation has and will continue to impact clearing and settlement, digital assets, ESG, custody, data services, and fund services

26

EMIR Refit

John Kernan of REGIS-TR UK, SIX analyses the impact of the regulation and what it may mean for the future

30

Settlement

Daniel Tison explores how the proposed changes to the Central Securities Depositories Regulation could improve the EU's settlement efficiency ahead of the shift to T+1

34

Digital Resilience

Demi Derem, SVP International Investor Communication Solutions at Broadridge, looks at the six factors that will determine compliance in proxy services

38

Crypto

As an influx of change is readying to take the crypto industry by storm, Clelia Frondaroli explores the current regulatory regime in the US and what the future may bring

Contents

42

US Regulation

With the US Securities and Exchange Commission's 10c-1a proposed rule making headlines, Igor Kaplun and Jonathan Tsang of S&P Global Market Intelligence Cappitech, take a look at the next steps for the regulation

46

Digitalisation

Speaking with industry experts, Daniel Tison explores how evolving regulations are simultaneously accelerating and hindering digitalisation in securities finance

52

Reporting Chain

Paul Rennison of deltaconX, looks at the hurdles and challenges imposed by reporting requirements

56

DORA

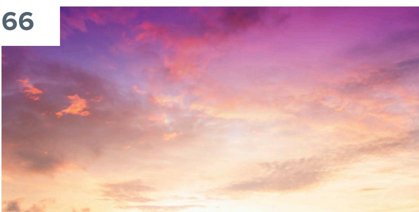
Industry representatives explore the impact of DORA as firms race to get ready

62

CCP

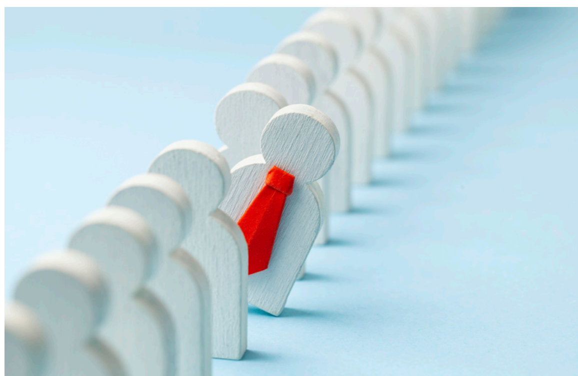
Maciej Trybuchowski, CEO of KDPW_CCP, looks at central counterparty clearing and active clearing account obligations under EMIR 3.0

66



Technology

Andrew Hutchings discusses what the regulation big picture looks like, and the real reason why it is a very positive one



ESAs to recruit Heads of Unit for DORA team

The European Supervisory Authorities have begun a joint recruitment process for heads of unit (AD9), who will be a part of the Digital Operational Resilience Act (DORA) Joint Oversight team. The team was set up to carry out the oversight of the Information and Communication Technology Critical Third-Party Providers (CTPPs) under DORA.

The heads of unit will be assigned to each ESA — European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA).

They will be responsible for organising the oversight activities for the CTPPs under their unit's remit. Each unit will regroup several Joint Examination Teams (JETs) dealing with the main types of ICT services provided by CTPPs.

To ensure cross-sectoral coordination and pool resources, the ESAs will carry out oversight activities of CTPPs in a Joint Oversight team working as one team, headed by Marc Andries, the DORA joint oversight director.

The Joint Oversight team will eventually be made up of 30 staff across the ESAs and will be complemented by experts from the Competent Authorities (CA). ■

Broadridge enhance capabilities for international post-trade processing

Broadridge has enhanced its operational resilience solution and services for international post-trade processing.

The launch of these enhancements comes amid increasing levels of sophistication and prevalence of cyber threats, as well as board mandates on operational resilience, the firm says.

These capabilities aim to allow firms to comply with the EU's Digital Operational Resilience Act (DORA) and other global regulations demanding a heightened level of operational resilience.

Danny Green, head of international post-trade solutions at Broadridge, adds: "It is vital that firms are advancing their plans for the timely completion of both inhouse and third-party system reviews, and that they have a robust strategy to meet their prescribed recovery time objectives (RTOs) for their operating model." ■

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FINRA Rule 6500 Series gets approved following amendments

The Financial Industry Regulatory Authority's (FINRA's) proposed rule change to adopt Rule 6500 Series, Securities Lending and Transparency Engine (SLATE), has now been approved.

On 2 January, the US Securities and Exchange Commission (SEC) released an order approving the proposed rule change, as modified by Partial Amendment No. 1.

As described in the Notice and in Partial Amendment No. 1, FINRA stated that it proposed to adopt the new rule to establish reporting requirements for covered securities loans. It would also provide for the dissemination of individual and aggregate covered securities loan information and loan rate statistics.

These proposed rules would define key terms for the reporting of covered securities loans and specify the reporting requirements with respect to both initial covered securities loans and loan modifications.

FINRA also separately filed a proposed rule change to establish covered securities loan reporting fees and securities loan data products and associated fees.

The implementation date of the reporting requirements for the proposed FINRA rules took effect on 2 January 2026, while dissemination requirements will come in on 2 April 2026.

Rule 6500 Series is designed to improve transparency and efficiency in the securities lending market, consistent with Section 15(A)(b)(6) of the Exchange Act, Rule 10c-1a, and Section 984 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

According to FINRA, the proposed rule change would do so by facilitating the collection of specified securities loan information from covered persons and reporting agents, both of which may include non-FINRA members, and providing access to such information to market participants, the public, and regulators. ■

Trade associations call on EU to extend UK CCPs equivalence

European financial associations have called on the European Commission to extend the equivalence status of UK central counterparties (CCPs) as the EU prepares to implement its latest revision of the European Market Infrastructure Regulation (EMIR).

In a joint letter addressed to Commissioner Maria Luis Albuquerque, a group of 12 trade associations emphasised the importance of a non-time-limited equivalence decision for UK CCPs.

The current equivalence arrangement, which ensures that UK CCPs meet EU regulatory standards, is set to expire on 30 June 2025.

This follows the recent publication of Regulation 2024/2987, known as EMIR 3.0, in the Official Journal of the EU, which officially entered into force on 24 December.

Announced in February, EMIR 3.0 refers to the latest set of revisions to the regulatory framework concerning over-the-counter (OTC) derivatives, CCPs, and trade repositories in the EU. By updating EMIR, the EU aims to strengthen financial stability while promoting innovation and competitiveness in its markets.

One of the key changes is the introduction of "active account obligation", which incentivises EU counterparties to clear a certain number of derivatives at EU-authorised CCPs, with the aim of reducing the reliance on third-country CCPs.

The Alternative Investment Management Association (AIMA) welcomes the intention of EMIR 3.0 to enhance the attractiveness of the EU clearing landscape, but it disagrees with the rationale of forcing market participants to relocate their clearing activity from the UK into the EU.

"The impact of the new rules will be less choice and higher costs for market participants in the clearing of derivative contracts," says AIMA, which opposed the active account requirement in its review of the new regulation.

The association believes that extending the equivalence decision for UK-based CCPs will allow industry participants to continue using "tried and tested" clearing services.

If the commission does intend to grant a further time-limited equivalence decision, the joint letter asks for at least five years to "limit uncertainty for EU counterparties".

The associations also warn that a failure to extend equivalence could result in market fragmentation, increased clearing costs, and disruptions for EU participants. ■

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ESMA finalises technical advice on CSDR penalty mechanism

The European Securities and Markets Authority (ESMA) has published its final report on the technical advice for the European Commission on the penalty mechanism under the Central Securities Depositories Regulation (CSDR). This comes after a public consultation on the effectiveness of the current penalty mechanism in discouraging settlement fails, running until February 2024.

Alongside a detailed summary of industry feedback, the report also includes ESMA's advice, which aims to incentivise all actors in the chain to improve settlement efficiency, following the recent proposal on the EU move to T+1.

CSDR includes a set of measures to prevent and address settlement fails, consisting of reporting requirements, cash penalties for participants, and mandatory buy-ins.

While ESMA has seen a decrease in settlement fails since the application of cash penalties in February 2022, certain asset classes, particularly ETFs, are still associated with high levels of settlement fails.

The report outlines ESMA's advice to improve the application of the CSDR penalty mechanism, including the treatment of historical reference prices for the calculation of late matching fail penalties, as well as the design and level of the penalty rates for each asset class.

While introducing an overall moderate increase in the penalty rates, the EU's financial market regulator and supervisor proposes to maintain the design of the current penalty mechanism.

In the absence of an overnight interest credit rate due to the monetary policy of the central bank issuing the settlement currency, ESMA advises using other comparable interest rates of the European Central Bank and the relevant central bank to calculate a proxy which a CSD can use to calculate the cash penalties due to lack of cash.

The European Commission will consider ESMA's technical advice when amending the 'Commission Delegated Regulation (EU) 2017/389'. The revised penalty mechanism will become applicable once the amended regulation has been adopted by the commission, scrutinised by the European Parliament and the Council of the EU, and published in the EU Official Journal.

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Bitpanda deploys Eventus' Validus platform

Bitpanda has deployed Eventus' Validus platform to meet trade surveillance needs and legal obligations.

This deployment comes amid the demands to meet the EU Markets in Crypto Asset Regulation (MiCA) requirements.

Bitpanda has selected Eventus with the aim of leveraging automation to detect and prevent market abuse, manipulation and insider trading.

Manol Vanev, compliance officer at Bitpanda, says: "Eventus rose to the top based on a variety of factors, including its state-of-the-art solution, strong reputation and extensive experience with many of the world's largest digital asset firms, broad track record in traditional finance with other asset classes, and expertise in markets and regulation."

Eventus CEO Travis Schwab adds: "Bitpanda understood the benefit of getting ahead of regulation and putting in place all the pieces to ensure a robust, scalable trade surveillance environment that can easily adapt to meet its needs as the company grows, adds new asset classes and confronts a rapidly changing regulatory landscape." ■

UK EMIR reporting regime comes into force

The revised derivative reporting regime under the UK European Market Infrastructure Regulation (EMIR) has come into force. The Financial Conduct Authority (FCA) and the Bank of England (BoE) jointly published a policy statement PS23/2 in February 2023, confirming changes to the UK EMIR derivative reporting framework.

Under Article 9 of the UK EMIR, the BoE and the FCA share responsibilities for the derivatives reporting obligation. The BoE is responsible for the framework for derivatives reporting as it applies to central counterparties (CCPs), while the FCA is responsible for the reporting framework for all other counterparties.

The objective is to keep the reporting framework identical for all UK reporting counterparties.

From 30 September 2024, all newly entered or modified derivative trades at both trade and position levels need to comply with the new requirements.

Derivative trades that entered before the date have a transition period until 31 March 2025 to update those outstanding derivative reports to the new requirements.

According to the BoE, these changes align the UK derivatives reporting framework with the technical guidance on the harmonisation of critical over-the-counter (OTC) derivatives data elements published jointly by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) in April 2018, to ensure a more globally consistent dataset. ■

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ESMA proposes ‘coordinated’ EU move to T+1 by October 2027

The European Securities and Markets Authority (ESMA) has published its final report assessing the move to a shorter settlement cycle in the EU.

The report highlights that the increased efficiency and resilience of post-trade processes, prompted by a move to T+1, would facilitate achieving the objective of further promoting settlement efficiency in the EU, contributing to market integration and the Savings and Investment Union’s objectives.

The EU’s financial markets regulator and supervisor also suggests a coordinated approach with other jurisdictions across Europe for the transition.

In a potential roadmap, the authority proposes industry implementation of T+1 by the end of 2026, followed by a testing period, with the optimal go-live date set for 11 October 2027.

Regarding the quantification of costs and opportunities, the authority suggests that the impact of T+1 will represent important benefits for the EU capital markets.

This includes an overall reduction of risks and the reduction of costs stemming from the misalignment with the US and other economies, which adopted T+1 in May.

However, there are also certain challenges, including amending the Central Securities Depositories Regulation (CSDR) and the settlement discipline framework to ensure legal certainty and the necessary improvements in post-trading processes for a successful migration.

Additionally, all actors in the financial system will need to work on harmonisation, standardisation, and modernisation to improve settlement efficiency, says ESMA, which will require a certain level of investment.

The authority adds that the complexity of a trading and post-trading environment such as the EU capital markets means that this project will require specific governance to be put in place.

ESMA will now continue its regulatory work related to the revision of rules on settlement efficiency, and it will address T+1 governance together with the European Commission and the European Central Bank. ■

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ECB phases out crisis-era measures for Eurosystem collateral framework

The Governing Council of the European Central Bank (ECB) has decided on measures to enhance the harmonisation, flexibility, and risk efficiency of the Eurosystem collateral framework.

In order to support a return to a single, harmonised collateral list for all counterparties within the euro area, the ECB will phase out temporary collateral easing measures introduced during the global financial crisis. This includes eased eligibility criteria for credit claims backed by public guarantees.

Certain temporary asset types, such as retail mortgage-backed debt instruments and credit claims below credit quality step 3, will no longer qualify as eligible collateral.

However, the Governing Council also decided to accept certain temporary asset types as collateral under the general framework.

Asset-backed securities rated at credit quality step 3, alongside marketable assets denominated in US dollar, pounds sterling, and Japanese yen, will now be on the list.

Pools of non-financial corporate credit claims will continue to be accepted as eligible collateral under the temporary framework until at least the end of 2026, and the same applies to credit claims benefiting from a Covid-19-related public sector guarantee.

All the other changes will enter into force with the next regular update of the legal framework, but no earlier than Q4 2025.

National central banks will provide further guidance to affected counterparties. ■

ISDA Digital Regulatory Reporting takes effect in Australia and Singapore

The Monetary Authority of Singapore (MAS) and the Australian Securities and Investments Commission (ASIC) have implemented new over-the-counter (OTC) derivatives reporting requirements. The International Swaps and Derivatives Association (ISDA) extended its Digital Regulatory Reporting (DRR) initiative to several additional jurisdictions in April.

The updated regulations, aiming to enhance transparency and oversight in OTC derivatives markets, came into effect in Australia and Singapore on 21 October 2024. The UK implemented the DRR under the UK European Market Infrastructure Regulation (EMIR) on 30 September.

Following the addition of the European Money Market Statistical Reporting (MMSR), which went live with an upgrade to v3.6 of rules in July 2024, Broadridge is developing the US equivalent of Securities Financing Transactions Regulation (SFTR) – the SEC 10c-1 – scheduled for January 2026. ISDA will further extend the DRR to cover rule changes in Canada and Hong Kong, both due in 2025. ■

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SEC adopts new rule for covered clearing agencies

The US Securities and Exchange Commission (SEC) has adopted amendments and a new rule to improve the resilience, recovery and wind-down planning of covered clearing agencies. For the new rule, the regulatory body says it prescribes requirements for the contents of a covered clearing agency's recovery and wind-down plan.

Existing rules require a covered clearing agency to have a recovery and wind-down plan, and the new rule requires such an entity to specify nine elements for its plan.

The new rule's required elements address planning for the identification and use of scenarios, triggers, tools, staffing, and service providers; timing and implementation of the plans; and testing and board approval of the plans.

On the other hand, the SEC's new amendments establish new requirements regarding a covered clearing agency's collection of intraday margin, as well as its reliance on substantive inputs to its risk-based margin model.

Regarding intraday margin collection, the amendments require that a covered clearing agency that provides central counterparty services has policies and procedures to establish a risk-based margin system that monitors intraday exposures on an ongoing basis.

According to the SEC, this includes the authority and operational capacity to make intraday margin calls as frequently as circumstances warrant, and documents when the covered clearing agency determines not to make an intraday call pursuant to its written policies and procedures.

The rule amendments regarding substantive inputs require that a covered clearing agency that provides central counterparty services has policies and procedures to establish a risk-based margin system that uses reliable sources of substantive inputs.

It also requires covered clearing agencies to use procedures to address circumstances in which substantive inputs are not readily available or reliable, and that such procedures must include either the use of price data or substantive inputs from an alternate source, or a risk-based margin system that does not rely on substantive inputs that are unavailable or unreliable.

The Commission is adopting two compliance dates; 150 days after publication in the Federal Register for a covered clearing agency to file any required proposed rule changes or advance notices with the Commission; and 390 days after publication in the Federal Register for such proposed rule changes and advance notices to be effective. ■

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DORA: ESAs publish decision on reporting rules for critical ICT providers

The European Supervisory Authorities (ESAs) have published a decision on the information that competent authorities must report to them for the designation of critical ICT third-party service providers (CTPPs).

Published under the Digital Operational Resilience Act (DORA), the decision requires competent authorities to report the registers of information on financial entities' contractual arrangements with CTPPs by 30 April 2025. However, the ESAs say they expect competent authorities to collect the registers of information from the financial entities under their supervision in advance of the deadline, following their own timelines.

The decision, published on 15 November, provides a general framework for the annual reporting to the ESA of the information necessary for the CTPP designation, including timelines, quality assurance and revisions of submitted data, as well as confidentiality and access to information.

Following DORA's entry into force on 17 January 2025, the ESAs, together with competent authorities, will start overseeing CTPPs offering services to financial entities in the EU.

Alongside the decision, the ESAs also published a list of validation rules that will be used when analysing the registers of information and the visual representation of the data model.

The authorities also published an updated reporting technical package, including the validation rules in December 2024.

In order to harmonise financial supervision in the EU, the ESAs published the final report on the draft regulatory technical standards under DORA in July. ■

AMF clarifies EMIR 3.0 notification provisions as new rules come into force

The Autorité des Marchés Financiers (AMF) has provided clarity for new European Market Infrastructure Regulation (EMIR) 3.0 rules which are set to come into force on 24 December.

The AMF has issued a statement to specify the notification procedures related to the obligation to hold an active account in accordance with Article 7a(1) of EMIR.

The firm states, that where a French financial counterparty (FC) or non-financial counterparty (NFC) becomes subject to the obligation to hold an active account in accordance with Article 7a(1) of EMIR, this FC or NFC shall inform the AMF and the European Securities and Markets Authority (ESMA) in parallel, according to the procedures specified in the "My relations with the AMF" section for professionals, under "Make my reporting, notifications and disclosure" in the subsection "Notifications under EMIR".

In order to notify the AMF when counterparties are subject to the active account obligation under Article 7a(1), FCs and NFCs must use the notification template provided by ESMA. ■

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EACH calls for regulatory stability in new manifesto

The European Association of CCP Clearing Houses (EACH) has published its 'Manifesto for Efficient and Resilient Capital Markets', outlining strategic priorities to enhance financial stability and promote economic growth.

The document emphasises the crucial role of central counterparties (CCPs) in managing market risks, with EACH highlighting three core priorities to strengthen the clearing ecosystem.

These are: a competitive and resilient clearing ecosystem, stability in regulatory frameworks, and international alignment to eliminate inconsistencies.

Key proposals include simplified central bank access, removal of tax complexities, streamlined approval processes under EMIR 3.0, enhanced transparency measures, and a smooth transition to T+1.

The manifesto also calls for targeted regulatory adjustments to support innovation and improve readiness for non-cash collateral.

Rafael Plata, secretary general at EACH, says: "Capital markets play a crucial role in promoting economic growth and prosperity. The EU's EMIR 3 legislation has targeted a reduction of unnecessary regulatory burden while preserving financial stability.

"More can be done along this line, and I look forward to working with the capital markets ecosystem to unlock the full benefits that CCPs bring."

According to EACH, Europe is currently home to 14 CCPs in the EU, three in the UK, one in Switzerland, and one in Turkey, collectively managing risks exceeding €500 billion for clearing members and clients. ■

Plumery partners with Payment Components

Plumery has partnered with Payment Components to allow clients to accelerate time-to-market and future-proof operations against regulatory shifts.

These shifts include the Instant Payments Regulation (IPR) which aims to make instant payments fully accessible to consumers and businesses across the EU.

The firms say that "while such regulatory changes usually impact core banking infrastructure, the Plumery and Payment Components partnership ensures these systems remain unaffected."

Ben Goldin, founder and CEO of Plumery, says: "This partnership is crucial for institutions needing to rapidly modernise without overhauling their entire infrastructure. Together, we offer a powerful, flexible solution that enables our clients to embrace innovation while staying ahead of regulatory changes like the IPR." ■

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Regulation on the horizon

As the asset servicing industry welcomes in 2025, there are a number of potential regulatory shifts to look out for. The industry focuses on how regulation has and will continue to impact clearing and settlement, digital assets, ESG, custody, data services, and fund services

Jack McRae reports

Image by li_ding/stock.adobe.com

Clearing and settlement

2024 saw a hugely significant year for clearing and settlement in North America, with the US, Canada, Mexico, and Jamaica moving to a T+1 settlement cycle in late May. There will be lessons to be learned by the rest of the world as they prepare their respective shifts to a shorter settlement cycle with the UK and EU expected to move in the latter part of 2027.

For North America though, Brian Ruane, global head of clearance and collateral management, credit services and corporate trust at BNY, says that “while T+1 was successfully implemented in 2024, the market remains vigilant from a risk management perspective and participants are certainly reviewing how they access clearing and settlement in T+1 markets.”

Ruane believes that the next step is a movement to T+0, describing it as “still in the future”, but admits that the industry has to push for a global market adoption of T+1 before it can embark on the “fundamental reworking of securities operations that would be required to move to a shortened settlement cycle of T+0.”

The US market infrastructure will continue to shift in 2025, with Ruane identifying the US Securities and Exchange Commission (SEC) rule to expand the central clearing of US Treasuries as the next significant change.

“The US Treasury central clearing mandate was announced in December 2023. Our clients are reviewing the SEC mandatory clearing rule and the central clearing access models that are offered by the Fixed Income Clearing Corporation and other Central Counterparty Clearing houses,” Ruane says.

He then warns: “It may seem that there is plenty of time before the mandate needs to be implemented — December 2025 for cash trades of US treasuries and June 2026 for repo trades. However, time is of the essence.

"Since this mandatory clearing change involves the largest and most liquid securities market in the world — the US Treasury market — the work associated with compliance with this rule may be time consuming."

James Pike, interim CEO of Taskize, urges Europe to learn from the US's move to T+1. "Greater efficiency, increased liquidity, enhanced risk mitigation, improved global competitiveness. These are just a handful of the benefits up for grabs if Europe can follow in the US's footsteps and begin settling trades within one business day," he says.

Pike believes that although the UK and EU shift to a shorter settlement cycle will pose more challenges than in the US, "it is far from unattainable".

He continues: "One of the tallest hurdles we must surmount is the communications challenge to resolving settlement issues, unearthed by Europe's intricate network of asset managers, broker-dealers, custodians and sub-custodians – a system unrivalled in complexity anywhere else in the world."

Pike suggests that the intricate communications network resembles the London tube map with its muddling number of players involved. "The issue is exacerbated by the fact most counterparties rely on email to reach each other, an inefficient and error-prone medium – especially under a shortened settlement cycle, when more is happening in a shorter timeframe," he explains.

What is the solution for the industry?

"Slicker communication and more efficient processes – this is what financial institutions need to focus on next year. Market participants must streamline the way trades are settled and exceptions resolved, from agreeing more of the post-trade components at the point of trade, to enhancing much faster dispute resolution mechanisms to ensure clearer communication between broker-dealers, asset managers and custodians," Pike says.

He concludes by emphasising that, "only then can Europe hope to reap the benefits of T+1 and avoid falling too far behind its transatlantic counterpart."

Seizing initiative seems to be the key focus for the industry in 2025 and Daniel Carpenter, CEO of Meritsoft, a Cognizant company, only reaffirms that message.

"2025 will need to be a year of action from financial institutions looking to prepare themselves for the monumental shift to T+1 settlement in the EU, UK, and Switzerland," he begins. "We've learned over the years, with the Central Securities Depositories Regulation in the EU and T+1 in the US, that the implementation of tactical workarounds to manage settlement operations leads to higher costs and inefficiencies over the long term.

"For example, with CSDR in the EU, we've observed that some banks are willing to treat tens of millions of euros in penalties on failed trades as a cost of doing business rather than invest in systems to better manage their settlement fails. This is not sustainable."

What should be the plan then?

"Market participants in Europe should be using time in the next two years to proactively put in place solutions that enable them to not only better handle the operational activity for failed trades but reduce the total volume of fails," Carpenter replies. "We believe market participants should implement a more strategic approach to trade settlement operations, leveraging AI capabilities to both identify at risk of failing trades in near real-time, as well as propose resolutions automatically."

Also focusing on Europe, Vikesh Patel, global head of clearing, and president at Cboe Clear Europe, says that "in our view, forced top-down consolidation is unrealistic".

Patel points to a recent high-profile report in which Mario Draghi, former Italian Prime Minister, advocated

for a single EU securities supervisor, and a single central counterparty (CCP) and central securities depository (CSD) for all securities.

Rather, Patel argues that ”instead, we will continue to advocate for the industry to strengthen the existing competitive framework, particularly in cash equities, which has brought benefits to end investors, particularly through mandating true clearing interoperability for all major exchanges – allowing them to choose and consolidate bottom-up.”

He adds that he expects this debate to rage long into the coming year and continue to shape the financial landscape of Europe.

As for the industry, Patel says that “to ensure a more unified and resilient financial ecosystem, policymakers should prioritise regulatory actions that both address fragmentation and foster healthy competition and allow participants to continue to prioritise market-driven clearing solutions that enhance their operational and capital efficiencies.”

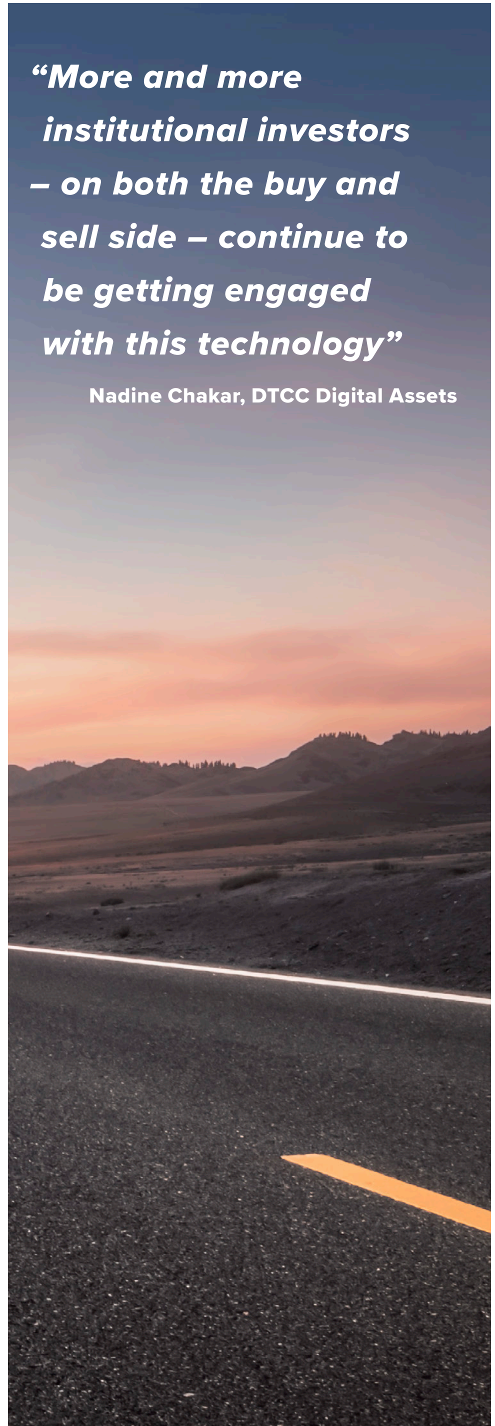
Clearing and settlement will certainly remain near the top of the agenda for all post-trade regulation in 2025.

Digital Assets

“2024 was a pivotal year for digital assets, and we’re seeing strong momentum toward adoption,” Nadine Chakar, managing director, global head of DTCC Digital Assets, says. “More and more institutional investors – on both the buy and sell side – continue to be getting engaged with this technology.”

Chakar points to the SEC’s approval of Ethereum and Bitcoin ETFs and the first stages of the EU’s MiCA — the first-ever blockchain-related asset regulation — coming into effect as demonstrations of regulatory development in 2024.

Despite this, Chakar says, “we still have our work cut out for us in 2025 and beyond. While we’ve clearly



> ***"Despite the challenges facing the industry due to an incoming Trump administration, sustainable investing will remain a key pillar for next year's regulatory landscape"***
>
> **Steven Strange, ION**

proven the merits of this technology, it's time to put real applications on the ledger using tokenisation.

"As we move beyond pilots and start putting projects into production, we'll need to make sure we're collectively driving toward an end goal: building an efficient digital market infrastructure and standards. Collaboration is the core ingredient that will help us capture the promise that digital assets hold."

DTCC has introduced its Digital Launchpad, "an industry sandbox that's bringing together financial market participants and clearing the path to scalable adoption of digital assets", Chakar explains.

She adds that this is helping them "lead the charge for industry acceptance and greater adoption of tokenisation solutions."

In 2025, Chakar says that DTCC will be continuing to build digital market infrastructure and "showcase how we can deliver the same efficiencies for digital assets as we do in traditional markets today, while also ensuring smooth market operation, transparency and liquidity."

ESG

On 20 January, Donald Trump will be sworn into the Oval Office and become President of the US for a second time. While some sections of the financial services industry will welcome his return, Steven Strange, head of product, asset management at ION, believes that his administration will bring difficulties in the ESG space.

Strange is not all doom and gloom, however. He says: "Despite the challenges facing the industry due to an incoming Trump administration, sustainable investing will remain a key pillar for next year's regulatory landscape.

"Asset managers invest internationally, thereby making adherence to global regulations critical. In

Europe, we expect to see the strengthening of the Corporate Sustainability Reporting Directive.

"Similarly, in key US states like California, Oregon, New York, Illinois and others, we are likely to see climate legislation and disclosure rules remain a key feature of the regulatory architecture."

The impact of stringent ESG requirements is, Strange says, "vital as asset managers adhere to strict client mandates when investing, many of which now include ESG requirements in their investment policies."

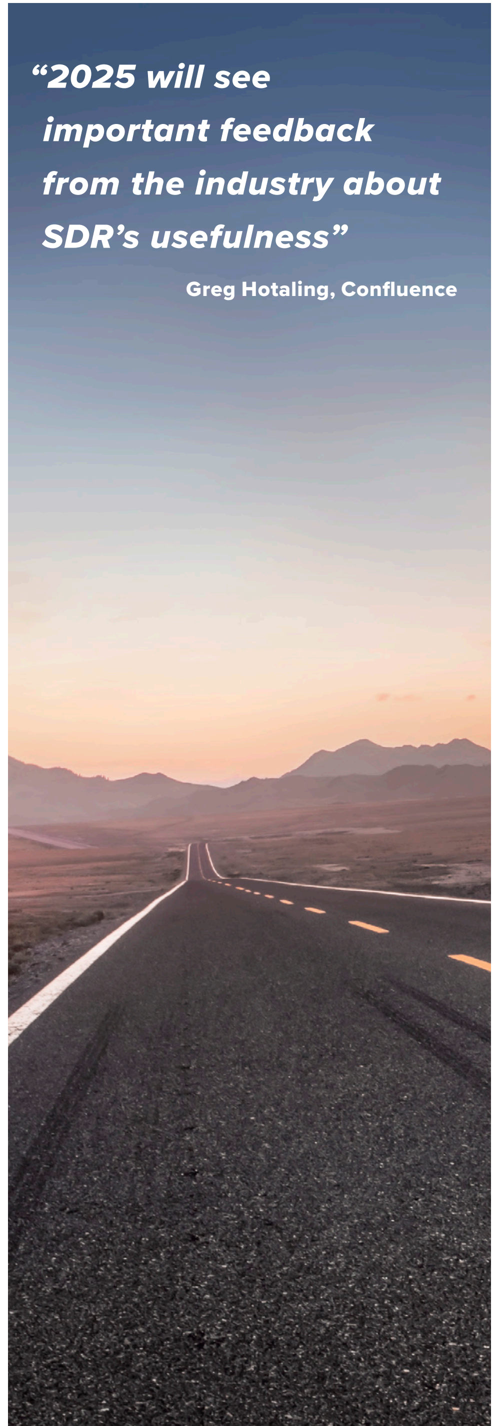
He adds that sustainability teams are already well established in Tier 1/2 asset managers and are responsible for managing data sourcing, analysis, and reporting.

"This is also underpinned by strong consumer sentiment in favour of investment transparency and sustainable investing," Strange says.

Greg Hotaling, regulatory content manager at Confluence, is more stark in his assessment of the future of ESG regulation in the US. He says that, "the SEC in 2025 is expected to give up on its proposed ESG disclosure rules for investment advisers and for corporates, whether through its own deregulatory actions or due to adverse court rulings."

Across the pond, the UK's Financial Conduct Authority (FCA) is expected to adopt International Sustainability Standards Board (ISSB) reporting standards — designed to streamline ESG reporting globally. The authority's Sustainability Disclosure Requirements (SDR) framework is, Hotaling says, "gains traction for its fund labelling categories.

"2025 will see important feedback from the industry about SDR's usefulness. While the UK's Green Taxonomy may be reconsidered, the focus on sustainability will remain, with continued attention to the Task Force on Climate-related Financial Disclosures and ISSB standards and to SDR requirements."



> ***"The progress on COP29's Article 6, which establishes a global architecture for carbon markets, is a game-changer for the financial sector"***
>
> **Andrea Remyn Stone, Zema Global**

Across the channel, "In the EU, demanding ESG regulations like SFDR and the Taxonomy Regulation will persist, despite industry and policymaker calls for streamlining which would take years to implement." Hotaling says. He also focuses on France, who "haven't wavered in their view of sustainability as a vital regulatory priority", as a microcosm of EU Member States implementing their own evolving ESG rules impacting investment firms.

Zema Global's Remyn Stone goes further to state that "organisations that embrace ESG data as a strategic asset will lead the way."

Remyn Stone believes that ESG will remain a central focus across the industry with "regulatory developments such as those stemming from COP29 playing a pivotal role.

"The progress on Article 6, which establishes a global architecture for carbon markets, is a game-changer for the financial sector."

She adds that regulatory frameworks for carbon credit trading, safeguards to ensure environmental integrity, and transparent mechanisms for managing registries could pose challenges but also create opportunities for asset managers.

But how best will firms exceed?

Remyn Stone believes that "high-quality, actionable data will be critical for navigating complex reporting requirements, assessing climate-related risks, and unlocking value from carbon markets."

Custody

In 2024, the custody space had to respond to developing geopolitical tensions and maintain resilience throughout. Jesús Benito, head of domestic custody and trade repositories operations at SIX, credits central securities depositories (CSDs) for maintaining financial stability in turbulent times.

"This past year, CSDs have proven their resilience, helping the system navigate a tough geopolitical environment while continuing to underpin financial stability," he begins. "At the same time, we have seen significant consolidation and closer collaboration, with tools like TARGET2-Securities (T2S) which have made cross-border settlements almost as straightforward as domestic ones."

Cross-border settlements are also the focus of Adam Cottingham, product manager for asset servicing at SmartStream. He explains that, "asset servicing is building momentum for the adoption of ISO 20022. Key custodians are moving their processing onto the standard with testing starting in 2025."

In order to get to that standard, Cottingham says, the industry needs to enhance its technology. "Compatibility of legacy systems and infrastructure along with the testing of these changes is now becoming a top priority," he says. "When changing technology, firms also need to take into consideration the evaluation of a T0 operation, automation, AI co-piloting, beneficial owner enablement, and of course operational resilience as critical requirements."

Looking towards the coming year, SIX's Benito believes that "CSDs will play an even bigger role in shaping the future of Europe's Capital Markets Union."

He continues to state that, unlike in the US where a single framework makes one CSD more logical, the EU needs a "network of connected and interoperable CSDs that work together seamlessly while still encouraging competition. This means focusing on further harmonisation across tax and legal systems and breaking down the remaining barriers that hold back true cross-border efficiency."

Benito is emphatic as he insists that "CSDs have already shown they're up to the task, and with the right support, they can be a driving force in creating a more connected and competitive financial market across Europe."

Data services

Dan Reid, chief technology officer of Xceptor, believes that "one of the most significant regulatory shifts set to reshape the financial industry in 2025 is preparing for the transition to T+1 settlement cycles in the UK and EU".

Key to addressing that shift will come in the form of converging AI and data automation, Reid says.

He explains that firms will adopt "AI-driven automation tools to optimise internal processes, enhance predictive analytics, and automate tasks from decision-making to risk management, boosting efficiency and reducing operational risks."

Data is going to be imperative for the asset servicing industry in 2025. Reid claims that "unlocking new data sources, including unstructured and unconventional data types, will become essential.

"Similarly, an emphasis on data lineage — the ability to trace data back to its source — will be particularly crucial for compliance and operational insights. Tools that provide clear, auditable data trails will become non-negotiable in the quest to meet stringent reporting requirements."

As data gets more complex and more crucial, Reid adds that "firms must prioritise building adaptable systems that evolve in real-time with changing requirements. By leveraging data automation tools, operations teams can independently manage processes, enabling firms to respond proactively as new regulations, such as T+1 settlement in the UK and EU, take effect."

Andrea Remyn Stone, CEO of Zema Global, also believes data will be at the heart of major changes in the industry — labelling it as a "critical driver of decision-making".

Remyn Stone says that "the shift toward predictive analytics will accelerate, with firms leveraging low-

latency, real-time data from operational systems and market sources to anticipate risks and seize opportunities."

She continues to state that AI and machine learning will help transform the way data is integrated with trading, risk management, and compliance workflows.

"At the same time, the rise of data-as-a-service platforms is democratising access to high-quality, curated data, enabling organisations of all sizes to innovate without the need for extensive infrastructure investments," she says before adding. "In 2025, the true differentiator will be the ability to turn data into actionable insights that drive resilience and growth."

Similarly, Nick Wood, AI product manager at FINBOURNE, believes AI will be vital to enhancing data services, although its slow adoption across the industry may prove a slight challenge.

"This hold up is largely due to a lack of confidence in the incumbent data management processes, which need to be designed to support AI technologies," Wood says.

"While AI can certainly act as a feature and capability in an overall workflow, firms must be able to explain the models and trust the quality of the underlying data to get there. With AI showing so much promise, prioritising modern data infrastructures to address data quality concerns will be a priority for many asset managers next year."

Steve Walsh, director of product and solutions at Duco, focuses on two major regulatory frameworks that made 2024 "one of the most consequential years for financial market regulation in a decade".

"EMIR Refit's primary motivation was to improve data quality and transparency in the European derivative markets with mandatory data reconciliation requirements and obligations to report material issues to national competent authorities," Walsh says.

"While the transition was largely successful, regulators next year will need to address lingering issues around data accuracy and integrity on data reported to trade repositories."

Walsh also considers the impact of the shift to T+1 in North America which he says has "created operational difficulties, highlighting data quality and transformation issues as well as poor processes and a lack of automation throughout."

Going forward, Walsh believes that the UK and Europe must look to resolve these issues ahead of their respective shift by the end of 2027.

"European firms need to start preparing while learning from their American peers," Walsh adds.

It is clear that data will become one of the major focuses across the industry in 2025.

This is of little surprise to Marion Leslie, head of financial information at SIX, who explains that "our 'Future of Finance' report found that 37 per cent of investment banks cite enhancing their data and analytics capabilities as the biggest enabler for growth over the next three years, while 41 per cent view historical data as the top priority for increased spending."

Investment banks will continue to place emphasis on data quality. Leslie says that "risk management as a function has grown in importance for all types of financial institutions in the years following the 2008 financial crisis. Investment banks take so much value from historical datasets".

Leslie is clear and direct as she adds finally that, "it will enable them investment banks, roughly stress test and ensure their strategies are robust."

Leslie is clear and direct as she adds finally that, "it makes sense that they anticipate consuming more of this data type in response to recent shock events across financial markets."

Fund services

Frank Koudelka, senior vice president for ETF Product Solutions at State Street, describes when the US Securities and Exchange Commission (SEC) approves the ability for mutual fund managers to launch an ETF share class as the "elephant in the room" for US regulation.

"There are approximately three dozen filings for permission to establish this structure and the firms in scope have trillions of dollars in mutual fund assets in play," he says.

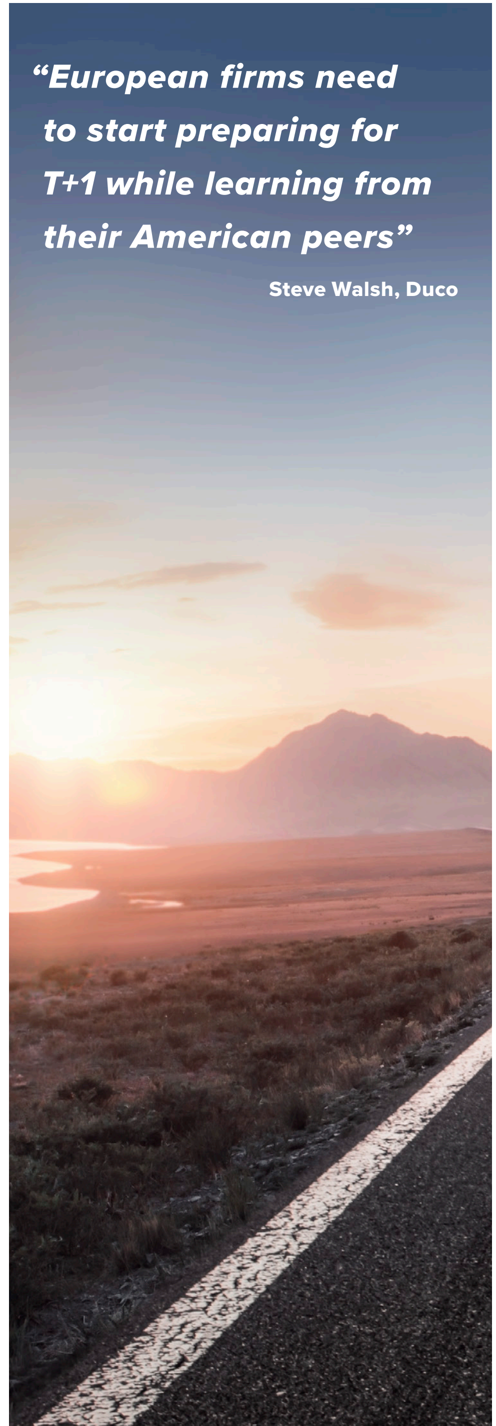
"Multi-share class provides investors expanded choice and an easier path — via a tax free exchange — to move from the mutual fund class to the ETF class. With a new administration coming into the SEC in 2025, we are bullish on the prospects that these filings will get more attention."

Koudelka continues to highlight that the attention share class has received in the US ETF market could make an impact in Europe — notably in the listed and unlisted share class.

He says: "We've supported two of our UCITS clients to launch this structure in 2024 and are having numerous conversations with other clients and prospects. The recent move by the Central Bank of Ireland (CBI) to change its position on nomenclature to align with other domiciles should create additional momentum."

Koudelka concludes by adding that "we've also seen a pickup in Australia and Canada amongst our clients to leverage the share class model as an entry point to the ETF burgeoning market." ■

As members of the industry have suggested, 2025 will be a fascinating year for regulatory developments in asset servicing. Whether in clearing and settlement, digital assets, ESG, custody, data services, and fund services, regulatory changes are on the horizon and the industry will have to be prepared.



The whistle blows at half time

But no time to rest post-Refit

The wake of the UK go-live for EMIR Refit may be a tale of two halves according to John Kernan, CEO at REGIS-TR UK, SIX, who analyses the impact of the regulation and what it may mean for the future

When the European Market Infrastructure Regulation's (EMIR) Refit went live in the UK on 30 September 2024, it brought with it a palpable sense of déjà vu, like stepping into the second half of a match with firms facing fresh challenges and uncertainties.

The new legislation, which was launched in the EU on 29 April 2024, is aimed at improving data quality, enhancing transparency, and simplifying compliance in derivatives reporting. It introduces significant changes including an increased number of reportable fields, new technical standards, and a shift to the ISO 20022 XML reporting format.

But unlike the EU's April launch, which had market participants on tenterhooks over fears that swathes of derivatives messages could fall short of the new standards, the UK's go-live was a much calmer affair. Rejection levels witnessed in the immediate days following the launch offered the first sign of relief.

These refer to instances where trade repositories refuse to accept reported derivatives transactions due to errors, inconsistencies, or non-compliance with the new reporting requirements. While rejection levels spiked markedly in the days following the EU's EMIR Refit launch, the UK's implementation was comparatively much smoother. Indeed, within a week of the implementation, rejections returned to pre-Refit levels of below one per cent.

For British firms, the whistle has only blown for half time. This period of regulatory stability must be seen as an opportunity to regroup, strategise and get ahead of the game before the next wave of regulatory changes to the framework come charging down the pitch — which may be right around the corner.

A tale of two timelines

British firms must stay resilient and keep their eye on the trophy, understanding the importance of maintaining momentum in revamping their regulatory reporting practices.

image by zgphotography/stock.adobe.com

A combination of training and avoiding mistakes made in the first half, made the UK's transition seem almost serene compared to the EU's bumpier ride — highlighting why doubling down now is the most prudent move.

Obviously, to some extent, volume played a part in the UK's implementation success. After all, managing a single market is much less daunting and complex than coordinating across 27 member states. Even with the introduction of common XML standards in April 2024, challenges remain like dealing with multiple national regulators alongside EU-level authorities — which complicates the process and increases the likelihood of inconsistencies in implementation. Moreover, the Financial Conduct Authority (FCA) — which was one of the original architects of Refit — had the advantage of foresight. It is no surprise that there was little divergence between the two regimes by 30 September.

Depending on your point of view, the five-month gap between the go-live dates for the two implementations was either inconvenient, eminently sensible, or insufficient.

The verdict was mixed but it can be observed that larger institutions with reporting obligations in both the EU and UK tended to favour a 'big bang' approach, where Refit would go live simultaneously in both regions.

This would allow them to overhaul their entire system in one go, rather than dribbling two sets of reporting standards in parallel.

For much of the market, however, particularly those without multi-jurisdictional reporting obligations, a longer gap would have provided a valuable window to gather insights from the EU's implementation, giving them time to catch their breath before stepping into the UK rollout.

Even with comprehensive testing running into tens of thousands of test cases, there are always issues that only materialise in production when a substantial implementation like Refit takes shape.

Take the sourcing dynamic UPI data from the Association of National Numbering Agencies (ANNA), for example. Some clients had systemic issues with this when the EU went live and were able to rectify prior to September's launch in the UK. Similarly, for the TR, early bugs that emerged in the EU offered invaluable insights, with the months between May and October allowing for these to be analysed and patched prior to the UK roll out. In short, the gap allowed for a cleaner version of the system to be released for UK market participants. Firms with reporting obligations in both the UK and the EU that had already tested their systems for EU compliance were also well prepared long before the UK go-live.

While the staggered implementation of two very similar regulatory frameworks was fortunate on this occasion, this may not be the case for future changes particularly as there will be an inevitable degree of divergence over time.

Thinking of the future

The heavy lifting of EMIR Refit may be behind us, but the hard work is not over yet. By 31 March 2025, all open trades must be upgraded to Refit specifications, while even more reconciliation requirements will come into effect in September 2026.

Furthermore, additional Q&As from the FCA are expected to provide additional Level 3 guidance to be adhered to on an ongoing basis. This will pose a considerable challenge for firms, as additional data will be required that may not necessarily have been captured at the point of trade execution or initial reporting. For instance, certain counterparty details and product classification data could be missing, requiring firms to retrospectively collect and validate this missing information. This would of course present a significant operational challenge, particularly for firms with large trade portfolios.

This brief regulatory lull is no time for idling. Rather, it provides an unmissable opportunity

for firms to double down on data quality efforts, improve metrics like rejection rates, and ensure more seamless reconciliations. Specifically, market participants must look to develop an action plan that ensures a good standard of data quality for all their trades moving forward.

The first step in achieving this is ensuring all unreconciled fields — like legal entity identifier (LEI) and unique transaction identifier (UTI), which must match — are paired efficiently, permitting full reconciliation to take place.

Full reconciliation is a strong indicator of data quality, given it suggests a large set of data must match with the corresponding counterparty's data. But it is important to remember that it is not the be-all and end-all for high-quality data. You and your counterparty could have simply reported the same thing incorrectly, after all.

With this in mind, it is preferable that a firm triangulates its reconciliation between its books and records, its counterparty's books and records, and any feedback reported from the trade repository. This is especially vital should the drive for data quality lead to more ambitious demands, like reconciling trades between UK and EU counterparties.

Platforms like SIX Group-owned REGIS-TR can be hugely beneficial in helping British and European firms ensure they are well prepared for any further Refit rumblings, empowering them to adapt with speed and confidence. It is the leading European trade repository, offering a wide array of reporting services spanning all the major European regulatory reporting obligations, including Securities Financing Transactions Regulation (SFTR), FinfraG, and, of course, EU and UK Refit.

As the saying goes 'fortune favours the prepared mind'. The same principle applies to market participants when it comes to bolstering their regulatory compliance capabilities. Firms need to get their head back in the game and stay sharp for the second half — there is no time to rest post-Refit. ■

"The heavy lifting of EMIR Refit may be behind us, but the hard work is not over yet"

John Kernan
CEO
REGIS-TR UK, SIX

Upgrade to CSDR penalty mechanism under scrutiny

Daniel Tison explores how the proposed changes to the Central Securities Depositories Regulation could improve the EU's settlement efficiency ahead of the shift to T+1

In the complex landscape of securities finance, settlement efficiency is the backbone of stability.

Over the past decade, the European Securities and Markets Authority (ESMA) has been on a mission to reduce settlement fails — a challenge that continues to test the resilience of Europe's capital markets.

With the publication of its final report providing technical advice on the penalty mechanism under the Central Securities Depositories Regulation (CSDR), ESMA aims to help the European Commission sharpen its tools to ensure a smoother, more reliable settlement process.

However, how effective can penalties be in driving real change?

Framing the challenge

Every failed settlement has a ripple effect. In its report, ESMA explains that beyond the immediate impact of delayed transactions, persistent settlement fails negatively affect the functioning and competitiveness of the capital markets.

This contradicts the objectives of the Savings and Investments Union, which is an EU concept aimed at strengthening the union's financial ecosystem by improving the connection between savers and investors.

CSDR, also known as Regulation No 909/2014, includes a set of disciplinary measures to prevent and address settlement fails, consisting of reporting requirements, cash penalties for participants, and mandatory buy-ins.

The vision is simple: not only should cash penalties deter participants from causing settlement fails, but also incentivise failing parties to rapidly resolve the issue through a daily penalty running from the intended settlement date.

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Settlement

In accordance with the Commission Delegated Regulation 2021/70, central securities depositories (CSDs) across the EU have been operating these cash penalties for nearly three years, which has seen a drop in settlement fails — both in value and volume.

"Since its application in February 2022, the penalty mechanism under the CSDR has improved settlement efficiency in the EU by ensuring that participants failing to deliver securities or cash by the intended settlement date incur a penalty," says ESMA.

Data collected by the authority suggest that the overall decrease in settlement fails is particularly noticeable for bonds, shares, and money market instruments (MMIs), but remains more modest for units in collective investment undertakings (CIUs), sovereign bonds, and exchange traded funds (ETFs).

From consultation to action

ESMA's latest report builds on three months of public consultation, during which industry stakeholders shared their views on the effectiveness of the current penalty mechanism in discouraging settlement fails.

Although most respondents said it was premature to review the penalty mechanism, as it had only entered into force recently, ESMA notes that most of them welcome the introduction of the cash penalty mechanism as an incentive for the industry to enhance settlement efficiency.

The majority of respondents also argued against any substantial changes to the current cash penalties framework, but around a third stated that the current penalty rates are too low, and a recalibration could be considered.

Participants generally agreed that CSDs should use a 40-day threshold beyond which more recent reference data shall be used for the calculation of the related cash penalties to prevent degradation of the system's performance.

Most respondents were also against differentiated rates by transaction type due to the complexity and costs of such a change. As a potential unintended consequence, they highlighted that participants may choose specific transaction types solely based on their penalty implications.

In addition, participants mentioned the discrepancy between the cost of incurring the penalty for failing to deliver a security and the costs of borrowing the same security to resolve the settlement fail.

What is new

Designing a penalty system that strikes the right balance between fairness and effectiveness is no small feat. ESMA's approach aims to reflect this delicate balancing act, ensuring that penalties are proportionate and that market participants have clear guidance on how to avoid them.

While introducing an overall moderate increase in the penalty rates, the EU's financial market regulator and supervisor proposes to maintain the design of the current penalty mechanism.

On the request of the European Commission, the report also outlines ESMA's advice to improve the application of the current penalty mechanism, including the treatment of historical reference prices for the calculation of late matching fail penalties, as well as alternative methods for calculating cash penalties.

In cases where overnight interest rates are unavailable due to central bank policies, ESMA suggests using other comparable interest rates of the European Central Bank and the relevant central bank to calculate a proxy which a CSD can use to calculate the cash penalties due to lack of cash.

This flexibility, coupled with the regulator's focus on transparency and consistency, is expected to boost market confidence.

Based on its analysis of settlement fails between 2022 and 2023, ESMA found that the penalty rates had indeed been lower than securities lending and borrowing rates for illiquid shares, sovereign bonds, and other financial instruments — particularly ETFs.

Therefore, the proposal will ensure that the costs of penalties will remain on average above the costs of borrowing securities to resolve the fail.

ESMA believes that a moderate increase of cash penalties, based on the average securities lending and borrowing rates, could ultimately lead to an improvement in settlement efficiency while avoiding negative consequences.

At the same time, there will be no minimum penalties or special penalties for participants with high settlement fail rates introduced at this stage.

In light of the emphasis the consultation respondents put on the implementation and maintenance costs, ESMA suggests avoiding any further structural changes to preserve the proportionality of the cash penalties mechanism, but this could be addressed in the next review.

The bigger picture

Following the recent developments, it becomes apparent that settlement penalties are not just about punishing inefficiencies; they are a crucial part of preparing the market for what is next.

In a final report assessing the transition to T+1 in the EU from October 2024, ESMA stated that a successful migration would require a further amendment of the settlement discipline framework to ensure legal certainty and the necessary improvements in post-trading processes.

"A low level of settlement fails is essential in light of the ongoing discussions about a potential shortening of the settlement cycle in the EU," says the authority, which proposed the optimal go-live date for a coordinated European shift to T+1 on 11 October 2027.

Although several respondents of the consultation argued that the implementation of T+1 in the EU could mean more settlement fails, ESMA believes that a coordinated transition will help promote settlement efficiency, contributing to market integration and the Savings and Investment Union's objectives.

However, the authority also acknowledges that a significant increase of penalty rates may divert resources from expected investments and costs of moving to a shorter settlement cycle.

The proposal also raises the possibility of a temporary suspension of cash penalties to support the EU's move to T+1, but this will be further considered.

What is next

The European Commission will consider ESMA's technical advice when amending the Commission Delegated Regulation 2017/389.

Once adopted, the revised penalty mechanism will undergo scrutiny by the European Parliament and the Council of the EU, which can object to a delegated act within three months.

While the European Commission oversees the regulatory framework at a high level, it relies on national competent authorities and CSDs within member states to enforce the rules. This could mean a further delay in implementation.

Looking ahead, ESMA says: "Beyond regulatory measures that could be taken, we strongly encourage all market participants to continue their efforts to increase settlement efficiency in the EU, also in light of a shortening of the settlement cycle." ■

Are you really ready for the DORA environment?

Demi Derem, SVP International Investor Communication Solutions at Broadridge, looks at the six factors that will determine compliance in proxy services

Our digital world is complex, characterised by a multitude of interconnected systems and data that is stored — and widely shared — online.

It is well known that cyberthreats are becoming more sophisticated, posing significant risks to financial stability and security. Outages too, such as the 2024 CrowdStrike IT issue affecting millions of devices around the world, is one recent example of a 'left hook' that caught many by surprise.

Against this backdrop, the EU's Digital Operational Resilience Act (DORA) has entered into force, with in-scope firms — including banks and investment firms — required to be fully compliant from 17 January 2025. Fintechs must ensure that they are well-positioned to help banks and investment firms comply.

DORA establishes a clearer foundation for security and operational resilience in the financial services sector, while also aligning with other EU measures on cybersecurity and data.

It reflects the thinking in other markets around the world, with regulators increasingly demanding that financial institutions bolster their operational resilience, and that of their supply chains.

An amplification of responsibility

DORA is structured around five pillars, covering governance, resiliency, incident management, information sharing, and reporting.

The common thread is the protection of data as it passes through both a financial institution and the ecosystem around it. This is particularly pertinent in the proxy world, and the automated solutions that power proxy voting across global markets. Stakeholders must now pay much closer attention to where the data is going, and ensure they are carrying out detailed information security reviews.

Resiliency in the past has tended to be quite inward looking, with firms focusing on ensuring their own house is in order. DORA has shifted the dial, and mandates firms to extend this externally across service providers utilised.

Beyond ensuring their own compliance, asset managers must also assess and make sure that their service providers can help them comply with DORA. Their responsibility does not end with their primary vendors' services; they also need to be comfortable that any subcontractors who are providing critical service can also help the asset managers to comply. Failure to do so can result in sanctions of an administrative, financial, or even criminal nature — and the asset manager is always on the hook.

Providing the right questions to ask

If you are providing services to an asset manager, it is no longer just a case of ensuring that you are fully compliant and fit for purpose; the buyer needs to be sure that any supplier and any subcontractors of critical services can help you comply with DORA.

Here are the six key information requests you should be cascading urgently. If your suppliers can provide positive answers to all of the below, then you are likely to be DORA compliant. If there are gaps, then there are real to-dos for your firm:

- **Supply chain resiliency:** You will need evidence that each of your vendors is operationally resilient. If they become insolvent, their technology drops, or if they suffer a data breach, then do you or they have a comprehensive and resilient plan in place?

- **Data security standards:** You need to check out their encryption standards for data at rest and in transit for the services they provide, including the procedures in place to address any data leakages. Your vendors' data security standards should be robust and reflected throughout the supply chain they use for your critical services.

- **Critical services restoration:** You and your vendors must evidence recovery procedures for any outsourced services, detailing the steps to recover from major incidents. Information should include timelines regarding the resumption of normal operations after an IT outage and/or cyberattack. If it is a regulated activity and a time-critical regulated function, like proxy, then what is their back up? How will they stay online and ensure that they can help you comply? Ideally, they should have appropriate disaster recovery centres, so if something happens in one location, they can be fully live in another.

- **Detection and monitoring:** You will also need evidence of effective cyber intrusion detection and how they monitor how cybercriminals are attempting to access their systems and data. Appropriate evidence includes penetration tests conducted by the vendor and any third parties they use to provide critical services. The completeness of everyone's cybersecurity strategies should be consistent across the supply chain in order to protect the asset manager.

"Resiliency in the past has tended to be quite inward looking, with firms focusing on ensuring their own house is in order. DORA has shifted the dial"

- **Information security:** You must obtain confirmation from your service providers that they comply with appropriate information security standards, including details of policies they are adhering to and how residual information security risks are being managed and monitored. This applies to all third parties providing critical services throughout the supply chain.

- **Critical services full ecosystem compliance:** Finally, you must request confirmation from your providers that they are able to assist you in your compliance of DORA, and if there are gaps in their ecosystem which need to be closed, what they are doing to remediate the gaps.

DORA compliance is not a 'nice-to-have'; it is mandatory and it is now business as usual. It is also worth noting that Broadridge's 2024 Digital Transformation & Next-Gen Technology Study highlighted that cybersecurity is the top concern of C-suite technology executives, usurping timely delivery of projects and sticking to budgets.

If you are still unclear about your firm's DORA compliance obligations, I would strongly advise a conversation with your compliance and product leaders. Further information on DORA is also available in our ***whitepaper*** on the topic.

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The American dream

As an influx of change is readying to take the crypto industry by storm, Clelia Frondaroli explores the current regulatory regime in the US and what the future may bring

As 20 January 2025 draws nearer and nearer, a sense of déjà vu has filled the air. President-elect Donald Trump returns once more to the White House, making it difficult to believe eight long years have passed since 2016.

Yet, despite all the similarities, at least one thing has changed: the astronomical, albeit volatile, rise of cryptocurrencies. Although still at the cusp of their boom in 2016, digital assets have now infiltrated a large portion of the financial industry, where the sector has experienced more gains, losses, and innovations than ever anticipated.

With innovation comes regulation, and under President Biden, the current chair of the US Securities and Exchange Commission (SEC), Gary Gensler, has been at the frontline of the crypto firing squad for his regulation policies. So much so that Trump has threatened, time and time again, to dismiss him once elected, despite the legal inability to do so.

However, as Gensler (willingly) leaves his post with a heartfelt message of thanks to President Biden, it is time to ask some questions about what the future holds for cryptocurrencies and the regulations and legislations it is governed by in the US.

The war (on crypto) is over

In Gensler's short but eventful four-year reign as chair of the SEC, his regulation-by-enforcement strategy has managed to garner him a fair number of critics in the crypto sector. Likened to an albatross of the digital asset industry, in the words of Michael Johnson, chief compliance officer at Zumo: "[Gensler] has been painted as something of a nemesis for crypto firms, with many accusing him of pursuing an unfair vendetta against the nascent industry and halting developments."

Officially appointed in 2021, Gensler, it appears, has continuously been at odds with the crypto community. Criticisms stem from Gensler's insistence that digital assets should be categorised as securities and

therefore governed and enforced under the same federal securities laws as bonds and stocks. This decision to not create crypto-specific regulatory policies has proved to be deeply unpopular, leaving Gensler to field accusations that his policies have "needlessly created an environment of uncertainty and ambiguity for investors," as put by Simon Forster, global co-head of Digital Assets at TP ICAP.

"There were also question marks over his knowledge of the industry," continues Johnson, "when he stated that Bitcoin and other cryptocurrencies are unlikely to ever become widely accepted forms of currency. But this reiterates what those working in the industry already understand — the main value of crypto assets is linked to their utility as an investment vehicle and not as a replacement for the world's fiat currencies".

Yet despite being plagued by lawsuits, federal court appeals, and claims of being staunchly anti-crypto, this has done little to stop Gensler's enforcement action against major US crypto companies, including Consensys, Coinbase, and Kraken. In the official statement released by the SEC, "18 per cent of the SEC's tips, complaints, and referrals were crypto-related, despite the crypto markets comprising less than one per cent of the US capital markets. Court after court rejected all arguments that the SEC cannot enforce the law when securities are being offered — whatever their form".

So is Gensler really the villain or the hero of this story? If you ask the investors, whose assets were protected under the solid foundation of established securities laws, Gensler may well be the white knight of investor protection. In the words of the chairman himself: "The SEC has met our mission and enforced the law without fear or favour." However, as his departure looms on 20 January, and with many 'crypto warriors' breathing a sigh of relief that his reign is over, will crypto regulations in the US really fare much better under a new successor?

Johnson thinks so: "The hope now is that his replacement will help to foster an appropriate regulatory regime in the US."

Ascension to the throne

However, who may this replacement be? Although president-elect Donald Trump famously attacked crypto-assets on X (formerly Twitter) in 2019, stating, "I am not a fan of Bitcoin and other cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air," he appears to have, albeit not uncharacteristically, changed tack during his latest presidential campaign. Now a reformed crypto advocate who seeks to create a strategic Bitcoin reserve once in power, under Trump's crypto-loving gaze, Johnson glimpses a better future for the industry: "Industry players — both in the US and on the global stage — anticipate a change in direction and a more pro-crypto stance."

Part of this change in direction arises from Trump's nomination of Paul Atkins to replace Gensler as SEC chair. For Forster, the nomination of Atkins (a former SEC commissioner and co-chair of the cryptocurrency lobbying group, the Token Alliance) signals a positive future. He says: "With [Atkins'] nomination we expect to see a more pragmatic and constructive approach to crypto regulation that the market has been looking for, which will unlock capital and innovation in the US. This will very likely shape regulation globally."

Johnson agrees. He suggests that Atkins will be expected to "bring in a more structured regulatory framework in the US," highlighting that in his current role at Patomak Partners, he has continually advocated for the SEC to issue clearer guidance. Jim Toes, Security Traders Association president and CEO, similarly gushes: "Atkins understands the need for balance — ensuring investor protections while enabling capital markets to flourish. [This] will strengthen both the SEC and the US economy."

All this goes to show that Atkins undoubtedly has his fans. However, will this be enough to convince everyone that putting a crypto-enthusiast at the helm of the SEC is the best decision? Or, as Senator Elizabeth Warren describes it to Politico: "a Wall Street lobbyist whose main contribution during the last

financial crisis was to protest fines against the giant corporations that defrauded investors" may, in fact, have implications for investor protection.

Some, like Forster, also intend to take the news of the nominee with a pinch of salt. He considers: "When Gary Gensler was appointed as SEC chairman in 2021, it was seen as positive for the industry, and we know how that unfolded. Whilst we don't believe this will materialise in a similar manner, until someone is in the new role, it's very difficult to know how effectively they will be able to enact change."

Constructing a crypto capital

Yet, enacting change is exactly what Trump envisions for the future of US crypto policies. Addressing the Bitcoin 2024 conference in July, the then-presidential candidate ensured the world understood his stance on the matter when he claimed to make the United States "the crypto capital of the world".

Johnson appears eager about this narrative, where "a crypto-friendly US president certainly supports the bullish crypto story". However, he reserves his judgements on the validity of Trump's "crypto capital" claims, considering that "the US is starting from behind in comparison to other jurisdictions that have taken an early lead in this area. The UAE is also rapidly emerging as a significant crypto hub, thanks to the Emirati leadership's proactive approach."

Forster also reserves some scepticism, even if his outlook is more wholly positive. "If the new administration can deliver on a fraction of its ambition," he says, "we believe the US will become one of the leaders in crypto and digital assets". But can they deliver any of their promised rhetoric? After all, four years is not long to create a Bitcoin reserve, a crypto presidential advisory council, and a solely US-based crypto mining industry (among other things). Although Forster cites an "enormous appetite" for Bitcoin and Ether ETFs in the US, only time will tell whether the administration has bitten off more than they can chew.

Fortune-telling the future

So as the US crypto industry is readying to be hit by an Atkin-shaped whirlwind of new regulations and legislations, where does this leave the rest of the world?

Taking a moment to reflect, Johnson envisions "the world's regulators seek to better balance their objectives of consumer protection and market integrity, allowing room for innovation to thrive".

He continues: "Regulation usually lags behind innovation —but innovation also attracts scrutiny."

This scrutiny, he highlights, will hone in on sustainability, where "we've seen significant advancements in Europe relating to crypto and sustainability, such as mandatory sustainability disclosures for crypto-asset service providers under the Markets in Crypto-Assets regulation." He also notes an enthusiasm emerging from US providers on combining climate reporting with digital assets, making his intention clear: "Increased regulatory scrutiny should be taken as a positive sign that our industry is maturing."

Back on the topic of sustainability and climate disclosures, Johnson says perhaps what others are thinking: "We hope the Trump administration won't stifle progress here."

As for the UK, the Financial Conduct Authority (FCA) has already laid out a detailed roadmap to create a regulatory regime for digital assets by 2026. The future, then, may look bright for crypto both in the US and globally, where increased transparency, improved frameworks, and new legislation will help shape and drive regulations.

And maybe, just maybe, 2025 will bring the formation of this new US crypto capital that the president-elect has been teasing us with.

Or, as most things go, maybe not. ■

The shifting landscape of US regulations

With the US Securities and Exchange Commission's 10c-1a proposed rule making headlines, Igor Kaplun and Jonathan Tsang of S&P Global Market Intelligence Cappitech, take a look at the next steps for the regulation

The US regulatory reporting landscape has been centre stage given the number of new disclosure, transparency and reporting requirements introduced by the US Securities and Exchange Commission (SEC).

The SEC 10c-1a rule marks a significant shift in the securities lending landscape introducing new reporting requirements for market transparency. Initially proposed in 2021, this rule was subsequently adopted by the SEC in October 2023, with an implementation date set for 2 January 2026.

The Financial Industry Regulatory Authority (FINRA), as the designated registered national securities association (RNSA), is tasked with developing and implementing the reporting system, and they introduced the Rule 6500 Series — Securities Lending and Transparency Engine (SLATE) — on 1 May 2024.

Based on industry feedback, certain elements of the Rule 6500 were amended and a new proposal was subsequently published on 14 November 2024. This included revisions to the format and manner of data collection, establishing fees for data access, and changes to the public dissemination of non-confidential information. The SEC approved these changes on 2 January 2025.

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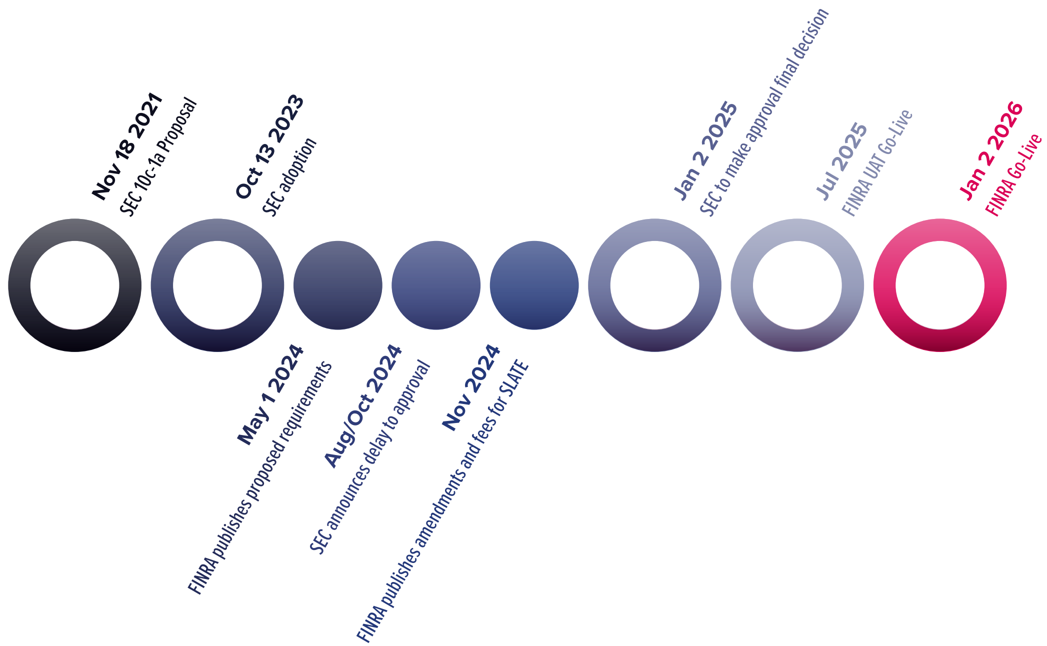
US Regulation



Under the proposed amendment, several key changes were submitted:

- Reporting deadline moved from 20:00 EST to 23:59:59 EST on trade date.
- Reduction in fields from 48 to 35.
- Removal of intraday lifecycle event reporting.
- Deleting the provision regarding member supervision of reporting agents.
- Revising the aggregate transaction activity provision.
- The de minimis exception for aggregate loan transaction activity has been clarified and the threshold increased.

Open questions

As with most transaction reporting regulations, there are some open questions, and SEC 10c-1a is no different.

One of the most discussed items that we have come across is the jurisdictional scope of the rule. This raises an important question: what are the triggers that will obligate firms that are domiciled outside of the US to report under this new framework? The absence of clear guidance on this matter complicates compliance efforts for international firms that engage in transactions involving US markets.

Firms will need to understand the onboarding process that is required by FINRA to ensure that the correct interfaces and registrations are set up for all parties. Furthermore, firms will need to be aware of any potential fee changes under rule 7720 (which outlines the SLATE fees) should the SEC initiate proceedings to review the fees.

Hopefully by the time this article is published, FINRA will have released the technical specifications for the rule. Any further delay will present a significant hurdle for firms attempting to prepare for compliance, as they require specifics in order to develop the required systems and processes.

Next steps

Now that the proposed rules have been approved, firms must prepare to implement the rules particularly as the reporting go-live date has not been extended. Additionally, firms must gain clarity on the scope of the reporting requirements, identify which entity must report and evaluate any existing business processes that need to be changed to comply with the new requirements. For those reporting under SFTR, it will be essential to assess their data sources and determine how to leverage that information for compliance with 10c-1a. Additionally, firms should review the products currently included in their lending programs to ensure they fall within the new scope and evaluate their trading relationships and counterparty reference data to prepare for the forthcoming changes.

What we know for sure is that the world of regulatory reporting will always evolve as we come off the back of 2024 being one of the busiest years in the trade and transaction reporting space. The industry underwent five significant regulatory reporting changes including the Japan Financial Services Agency (JFSA) rewrite in April; European Market Infrastructure Regulation (EMIR) EU Regulatory Fitness and Performance Programme (REFIT) in April; EMIR UK REFIT in September; the Monetary Authority of Singapore (MAS) and Australian Securities and Investments Commission (ASIC) rewrites in October; as well as the Commodity Futures Trading Commission (CFTC) unique product identifier (UPI) implementation in January 2024. If that has not been enough to keep everyone busy, the industry is also trying to prepare for the upcoming regulatory changes in 2025 and 2026 across Canada, Hong Kong, South Africa and the US not withstanding SEC 10c-1a. ■

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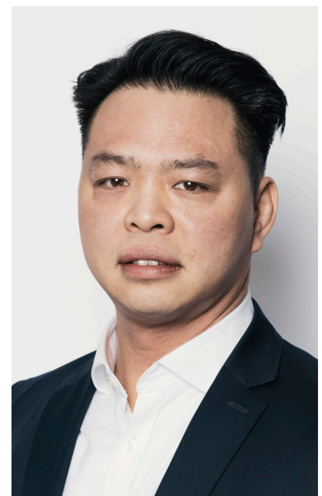

Regulation as the drive and brake for digital transformation

Speaking with industry experts, Daniel Tison explores how evolving regulations are simultaneously accelerating and hindering digitalisation in securities finance

As the financial landscape is rapidly evolving, regulatory frameworks are becoming increasingly complex, and the pressure on companies and institutions to innovate is intensifying. While new technologies offer solutions to streamline operations and compliance, they also present challenges and security risks that need to be addressed.

According to Roman von der Höh, managing director at RAQUEST, one of the key benefits that digitalisation brings to securities finance is the automation of regulatory reporting.

“Regulation drives automation and digitalisation because the more regulations you need to cover, and in order to be compliant, the more technology you need to use,” he says.

“It’s so many data points, so many interfaces and gateways to different authorities, and you need to play around with those, so you can’t do it manually anymore.”

The traditional, paper-based method of regulatory reporting is inefficient, risky, and more costly, according to von der Höh. To help companies with automation, RAQUEST provides financial institutions with software for reclaiming withholding taxes.

This includes compliance with the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive, introduced by the European Council in May 2024. The new rules aim to make withholding tax procedures in the EU more efficient and secure for investors, financial intermediaries, and national tax administrations.

For von der Höh, EU FASTER has two angles: quicker tax relief for investors in digital assets, and prevention of tax evasion and tax fraud.

“If you have proper tax reporting along the whole custody chain of all intermediaries, you get so many data points that you can clearly address tax fraud and tax evasion,” he says.

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EU member states will have to transpose the directive into their national legislation by 31 December 2028, and these national rules will have to become applicable from January 2030. However, as von der Höh adds, regulation can also hinder the process of digitalisation for industry participants.

"What we have seen over the last couple of years is that banks struggle so hard to comply with all the new regulations like GDPR," he says.

"They spend all of their budgets with expertise and IT architecture on those pieces because they just have to, so then there is nothing left budget-wise to address innovation, to address digitalisation."

Fear of missing out

Phil Brown, CEO of Clearstream Banking, believes that there is an exciting future ahead by combining tokenisation and native digital securities with securities finance. However, he prefers a more cautious approach to make the transition suitable for a wider market.

"One of the reasons a lot of these projects fail is because the market is not ready to adopt a totally new end-to-end infrastructure," he says. "So, we decided to provide a journey to a full on-chain world that made it easy for the market to move with us along that journey."

Brown warns against a 'fear-of-missing-out' mentality around technology where companies innovate just to stay with the perceived progress of the competition. He says that Clearstream instead wanted its technology to be "impactful".

"The key is to choose the right technology to solve the problem," he says. "We started our D7 platform with a semi-DLT model, we put it into implementation, we tried to scale it, and we found that it had limitations. Then we went back and, with our partner Google, we've retooled the technology into a much more scalable technological infrastructure."

On that note, Leo Labeis, CEO of REGnosys, stresses the importance of planning ahead and having an agreement within the company before launching new technology.

"It's not just about coming up with shiny technology and then, suddenly, everything is going to work according to plan," he says. "It's about everything around it, and how you promote that transformation within the organisation, which means making sure that you buy in from the relevant stakeholders and making sure that you have an alignment internally that everybody effectively wants to move in that direction.

"You need to have a very solid business case that is articulated, including the economic basis for doing it, so you don't run a risk. The worst thing is when you embark on a transformation, and then it's half-baked when suddenly people have a change of heart, and usually that's because you have some of the key ingredients missing."

New technologies to the test

Some of the benefits of migrating into the cloud, according to Brown, are faster processing, cybersecurity coverage provided by proven companies, and the option to overlay digital native technology on top of the data stored in the cloud. However, there are also certain challenges to some of the new technology models.

"It's fine, as a proof of concept, to issue one security in a closed ecosystem where everybody agrees how it's going to work and then works on that specific use case to get it to work," says Brown. "Our experience is that when you try and scale it, you start to uncover the limitations of the infrastructure that you might have designed. So scalability is really critical. You also have to understand how you will move from a small-scale closed ecosystem to much wider adoption."

He believes that there needs to be a central bank digital currency in order to deliver widescale digitalisation of the European repo market, which is

currently being tested in the European Central Bank (ECB) trials.

In these trials, running from May to November this year, market participants, including Clearstream, are exploring new technologies to settle wholesale transactions using real central bank digital money.

Brown comments: “The ECB trials are a really important factor in figuring out what a future world looks like with settlement against a real on-chain coin issued by a central bank.”

To allow financial firms in the UK to test new technologies in a safe environment, the Bank of England (BoE) and the Financial Conduct Authority (FCA) have recently introduced the Digital Securities Sandbox (DSS), which is now open for applications.

This follows positive feedback from stakeholders to a public consultation running between April and May 2023.

Sarah Breeden, deputy governor for financial stability at the BoE, says: “The DSS will provide a guided live environment for innovators in this area to create and trade these digital securities so that opportunities created by this innovation can be maximised in a way that keeps our financial system safe.

“We’ll apply flexible and proportionate regulations created specifically to facilitate this activity. Flexible rules allow us to make adjustments as we learn to support the safe development and implementation of these technologies.”

The DSS, running at least until December 2028, is open to firms of all sizes and at all stages of development as long as they are legally established in the UK.

Breeden adds: “Taking this approach means we can shape a new, permanent regulatory regime that’s innovation-friendly and fit for purpose, and importantly, without compromising financial stability.”

The sandbox also allows firms to test legislative changes in real-world scenarios before their implementation.

On the same page

Effective regulation is important, says Brown, to ensure that investors are protected in the same way as in the “pre-digital world”.

According to Labeis, there is currently a lack of standardisation in securities finance, which limits interoperability between new technological solutions. As head of a regulatory technology platform, he sees standardisation as a prerequisite for further digitalisation of the market to be effective in the long run due to its role in regulatory reporting.

He says: “It’s very easy to see that if you did have a market operating with data standardisation at its heart, then being able to report transactions to the regulators, or trade repositories, would be drastically simplified, as opposed to the current way of doing it, which is each and every participant or their technology vendors have their own way of representing those transactions.”

To reduce the susceptibility to cyber threats across the financial sector, the EU has introduced the Digital Operational Resilience Act (DORA), which will apply as of 17 January 2025.

By creating a uniform regulatory framework across the EU, the regulation aims to harmonise national regulations regarding cybersecurity in the financial sector and strengthen the European financial market as a whole against cyber risks. In addition, the European Supervisory Authorities (ESAs) have developed regulatory and implementing technical standards, which are also legally binding for financial entities and their IT providers.

Labeis is in favour of DORA because he believes that it will help increase the standardisation within the industry, bringing a capacity for stakeholders to switch

between technology providers "much more easily" than what they are currently able to do.

"When you try to switch from one provider to another, it's typically very costly, which is why there is a lot of stickiness," he says.

"By that reasoning, if you make it easier and more seamless for firms to be able to choose their solution provider for particular aspects of how they carry on their business, then it means it becomes a lot more cost-effective for them, and ultimately builds resilience."

Brown feels confident that DORA will not have a huge impact on Clearstream because the firm is already "highly regulated". However, he adds: "The question is what does it do to companies that are not regulated, how do they respond to the DORA regulation, and what kind of pressures are going to put on there? That's where DORA will start to shine a light on where the risks are in the supply chain from a digital resiliency perspective."

Looking ahead, Labeis anticipates that digitalisation will have a "massive" impact on the securities finance industry: "Digital first, as opposed to digital second, is going to be a theme for the next five years, and the interesting question is going to be, how do you manage?"

As an example, he provides digitisation of legal agreements between counterparties. He believes that a greater degree of standardisation would also benefit the digitalisation of collateral management.

"Anything that removes the frictions that are there to free flow of collateral between counterparties will unlock more liquidity that is effectively available to oil the system, which then supports economic growth," he says, "and you can't achieve these dramatic increases in that collateral availability through that free flow if you don't have digitalisation of those processes and themselves supported by a higher degree of standardisation."

Relationship-driven world

Although digitalisation saves time on a daily or monthly basis, it still requires regular manual maintenance due to regulatory overhauls, as von der Höh explains: "You need to have the technical capabilities that dock on different interfaces, internally and externally. That is a big, huge challenge."

Complete automation of the system would require advanced machine learning and automatic software engineering, which does not seem possible to von der Höh at the moment, but he sees a large potential for the near future, with the development of blockchain and smart contracts.

"What I strongly belive is that AI will play a big role, and then digital interfaces like API, to transform and send over data to any kind of stakeholders, that will also be a part of it."

Despite increasing efforts to employ AI and machine learning in an increasing number of processes, Brown believes that the human touch is still needed because securities finance is a "relationship-driven world".

"[Trade matching] can be an automated process, as can basket construction, but you are going to have a human element," says Brown.

"We're not yet in a world, and I don't think we're anywhere near a world, where you will predominantly meet people digitally and trade with them without having had a human interaction."

He adds: "It's so important, especially in stressed markets, that you have personal relations with people, so that you can actually look in the whites of their eyes and feel confident in your counterparty.

"Technology will facilitate the connectivity, and will certainly drive efficiency, but humans will continue to have to work together." ■

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Regulatory transaction reporting

Do we now have the perfect model?

Considering just some of the wealth of regulations hitting financial services in 2024, Paul Rennison, director of Strategy & Corporate Development at deltaconX, looks at the hurdles and challenges imposed by reporting requirements

deltaconX's market is regulatory transaction reporting. We provide this to over 200 EMEA-based clients across financial (banks, funds), energy and commodities trading entities, and corporates. We provide these firms with the ability to meet their obligations against 10 global regulations all via one platform, and by mapping to one unified dataset, we provide a network of connectivity to licensed third parties, trade repositories (TRs), approved reporting mechanisms (ARMs) and regulated reporting mechanisms (RRMs), who then provide the data to regulators and national competent authorities. This is what we call the 'Reporting Chain'.

It is the external influences on this chain that make the technology choices we make, and have made in developing our service, so critical. Regulations and by dint the underlying requirements imposed on firms are very fluid and subject to change. This impact is magnified the more regulations, that a firm is obligated to and provides the greatest challenge in remaining compliant and for service providers to offer a flexible enough technology to support this in a timely and cost-efficient manner.

Historically firms have looked at a dual option to meet their obligations — they either built a solution in-house or they procured a solution from an external provider. Many regulations were initially born out of the financial crisis of 2008, and the markets saw a plethora of regulations to ensure that risk was monitored and investors were protected. One of the ways to support this was for regulators to collect data to be able to assess the state of certain markets.

Out of this came the Markets in Financial Instruments Directive (MiFID), European Market Infrastructure Regulation (EMIR), Dodd Frank, REMIT, Securities Financing Transaction Regulation (SFTR), the Monetary Authority of Singapore (MAS), the Australian Securities and Investments Commission (ASIC), and Money Markets Statistical Reporting (MMSR). These aim to cover both assets and jurisdictions, and common to all is an obligation on those parties to a particular trade, to provide detailed information about the trade through its lifecycle. With this comes the need for market participants to make and continue to make major investment in transaction reporting.

We develop our service and technology to support the principle of problem solving. We are looking at what our clients and prospects need now and further out on the time horizon to ensure that they remain compliant and can reduce the operational and cost touch points for their regulatory transaction reporting.

Was all well at the end of 2024?

2024 saw an unparalleled change in reporting, as five major regulations that have been fundamentally rewritten have been brought into operation. Much has been written about these and so I will not spend the time diving into too much detail. The goals for the changes are admirable and lofty, the twin torches of harmonisation and standardisation. Make it simpler and lower cost for firms to meet their obligations to manage and report their data wherever in the world they are trading, call an 'apple an apple' and ensure that the what needs to be reported, and how to do that reporting, is relatively uniform. Cue the work done by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) on common data elements and the introduction of ISO 20022 XML to be the common reporting format.

Remove the main issues of the current regimes in poor matching and pairing rates, so there are fewer orphan trades, and the regulator can understand the systemic risk across their markets in a deeper and more timely manner. Add prescription to what is reported by making the description of the trade more granular and introduce new reference tags for trades done off-venue and over-the-counter (OTC) where this has been patchy, introduction of the unique product identifier (UPI). Strengthen reconciliation, make it across more fields and drive data quality into timely reporting.

Also, learn from the errors of the past and give firms plenty of time to do the work — 18 months in general — so that all firms have time to implement the reporting and data model best suited to their trading behaviour and that of their counterparties. In a nutshell, we are entering 2025 with a radically better reporting model than we entered 2024 with, the firms will spend less and have clearer oversight, changes going forward will be simpler and more cost effective to make, and the regulators will have transparency and accountability across their domains. A perfect upgrade.

I think a lot of this could be and should be true as we enter 2025; managing future regulatory programmes at a firm should be easier, as an example one firm we spoke to told us after doing the work for EMIR EU the changes to the Japanese regime, JFSA (1 April) required work on only 30 per cent new fields and format changes.

The devil is often in the detail in these types of grand changes, and we may get a less volatile playing field going forward, so where should we still be cautious, where could we still get caught out and where could we end up with a less optimal model than we had hoped and worked towards

Are we building a future issue with delegation?

The one area that may be of interest going forward is the delegated model and, more specifically, whether it is the panacea that many believe it to be. So, to the obvious in a two-sided regime(s), non-US, when trading with a non-financial counterparty (NFC), a financial counterparty (FC) should be the party to manage the reporting — they have the scale and systems to do this more effectively, it is just 'fairer' and, in some circumstances, OTC, this is and has been mandatory for a number of years. So, it is 'all good and nothing to see here', but in most cases, it does not cover all circumstances and trading behaviour, so there are wrinkles or variables in most models.

It is also worth noting that the model is certainly not exclusive to FC vs NFC relationships, as reporting often ends up in the hands of the few on behalf of the many. All well and good? However, it also highlights the fact that the regulation states that you can delegate the

reporting function but not the obligation; where firms are still expected to have appropriate oversight of their data reporting from board level down, including where it is delegated or outsourced, the delegation of reporting obligations must be managed appropriately to avoid confusion between delegates as to their respective reporting responsibilities.

“This is not the end of the world, but all firms will likely continue to return to this question over the next few years”

With a greater emphasis on reconciliation and the use of errors and omissions reporting to the national competent authority (NCA) to manage data quality, increasingly sophisticated systems will need to be in place both at the reporting delegated party to provide access to information, and at the delegated party to ensure that they can consume and act on any queries or remediation that may be required. This is one of the risks that may be an unforeseen consequence of the global rewrites.

From talking to a number of buy and sell side firms about their preparation for, and subsequent early experience of, EMIR REFIT (particularly), there has been a change in behaviour from 2023 to 2024. In 2023, for many they had read the new regulations and decided to undertake an analysis of whether it was more beneficial to manage their reporting obligations more directly given the focus on data quality and the requirement to have systemic controls in place. In 2024, for many this position changed to a desire to delegate, and several familiar factors were cited: lack of time, resources, expertise, and budget meant that many had chosen their least preferred model for managing regulatory reporting.

This change of direction created a number of problems for the delegated parties, one being that these decisions were made relatively late, and a lot of preparation time had been lost, but more importantly, they now have to provide more and more sophisticated systems to support their counterparties in an area of their business that is non-core and increasingly costly. So, on the one hand, they have lost direct control and a lot of transparency over the function but retained the obligation, while on the other hand, they must continue to invest in non-core systems as business as usual. It is also very clear that the perceived risk of direct cost recovery for these services is seen as being a competitive risk among the sell side firms, and so the cost of provision is an increasing burden. This may also play out to be a risk to the delegating parties as the level of service and support may also not fit all parties’ requirements, as a trade-off between and cost of operation and perceived value continues to move apart.

This is not the end of the world, but all firms will likely continue to return to this question over the next few years, as the regulation and, in particular, the addition of further reconcilable fields in 2026 will continue to increase the cost and need for closer communications between the delegating and delegated parties. It can be seen by many that this can have just been kicked down the road to get through the first phase of the rewrites and that a huge amount of additional effort and oversight, particularly around reconciliation, will be needed in the coming years.

So, it could be said that perhaps we have missed an opportunity here, given that the market had time to implement a strategic solution, and perhaps we have ended up, again, with a tactical one. ■

Preparing for DORA

The countdown begins

Industry representatives explore the impact of DORA as firms race to get ready

Carmella Haswell reports

The clock is ticking, and the race to prepare for the Digital Operational Resilience Act (DORA) implementation is underway.

Firms will have to thoroughly evaluate and possibly revamp their technology stacks in preparation.

Initially introduced by the European Union Agency for Cybersecurity (ENISA), the regulation comes in respect of the industry's reliance on technology.

"As an industry, we are more exposed to the ever increasing sophistication of cyber threats," says John de Freitas, director, Aponix Cybersecurity and Privacy, ACA Group.

The regulation aims to fill a critical gap by introducing an EU-level framework for digital operational resilience for the financial sector.

He highlights that US regulators are coming in line with European regulators: "When it comes to operational resilience, we are all moving in the same directions. We will probably see DORA become the gold standard of operational resilience legislation."

While firms gear up for DORA's implementation, concerns remain around its requirements.

Bringing harmonisation

DORA is an EU regulation that entered into force on 16 January 2023 and will apply as of 17 January 2025.

It aims to strengthen the information and communication technology (ICT) security of financial entities in the remit of the three European Supervisory Authorities (ESAs).

In addition, it seeks to ensure that the financial sector in Europe is able to stay resilient in the event of a severe operational digital disruption. Applying to 21 different types of financial entities, the regulation consolidates and upgrades different rules on ICT risk.

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It also introduces a pan-European oversight framework to oversee the ICT risks posed by the ICT third-providers.

The oversight framework will be an additional layer, aimed at complementing the supervision of ICT risk of the financial entities under responsibilities of the supervisory authorities.

DORA is designed to bring together all requirements addressing digital risk in the financial sector into one single legislative act addressing inconsistencies, harmonising the requirements for all financial entities, in a risk-based and proportionate way.

According to the European Securities and Markets Authority (ESMA), ICT has become more pervasive in the financial sector, with the delivery of financial services increasingly dependent on the smooth operation of complex or less complex ICT systems.

Further, the increased digitalisation and interconnectedness of the financial sector increases the efficiency in service delivery, while at the same time it also introduces ICT and information security risks.

An ESMA spokesperson warns: “If not managed properly, these risks could lead to disruptions of financial services, often across borders with far-reaching effects. This is where the importance of solid ICT risk and information security risk frameworks for the financial industry has become increasingly important to safeguard the smooth and secure operation of the financial services.”

In line with this sentiment, Darren Crowther, general manager, Securities Finance and Collateral Management Solutions, at Broadridge, says the regulation is “set to play a critical role in bolstering the financial sector’s defence against cyber threats”.

He adds: “For many of Broadridge’s clients, the securities finance market is essential for their financial strategies, offering important liquidity and revenue opportunities for both their firms and their clients. The stability and security of these services is crucial for maintaining trust amid increasingly sophisticated cyber threats.”

Reviewing how the regulation has been received by the industry, Francesca Blythe, partner, data protection, privacy and cybersecurity, at Sidley Austin, reveals that there is confusion around the purported scope of DORA. For example, whether, and in what instances, it applies to financial entities outside of the EU, whether it applies in an intra-group scenario and what activities or services actually fall within scope of ICT services. This uncertainty can “create challenges for compliance and risk management”.

Crowther adds that stricter requirements imposed by DORA have raised concerns among some industry players about their feasibility, “especially regarding the timelines for reporting ICT-related incidents”. He pinpoints that many organisations find it difficult to balance the demands of meeting tight deadlines with the need for comprehensive compliance.

Making the initial report within four hours of determining an incident is “major” is a very short timeline for firms, says de Freitas, and there is real concern about being able to meet that deadline while firms are in the “hectic stage” of responding to an incident. In addition to meeting timelines, it would appear that firms are also worried about providing regulators with the “right level” of information to meet the rapid reporting requirements of the rule.

New contractual issues also pose challenges for those in-scope. From an ACA Group perspective, de Freitas says small firms often do not feel they have the power to make demands of vendors that are larger to include certain provisions in their contracts.

He adds: “Even when it is a contractual need that is supported by a regulation and the third party likely has multiple clients that would need contractual additions to meet DORA’s requirements, there is still a common feeling of disempowerment there.”

Aligning with requirements

The impending regulation covers a host of key requirements for those in-scope to follow, these include risk management and governance, incident response management and reporting, as well as digital operational resilience testing.

There are two groups that are subject to DORA: EU financial entities and ICT third-party service providers (TPSPs). Financial entities include almost all regulated financial services firms and financial market infrastructure providers in the EU, ranging from banks to investment firms and credit rating agencies.

ICT third-party service providers can be based in any jurisdiction (EU or non-EU), they are defined as an entity that provides ICT services to an EU financial entity. However, the regulation provides a broad definition of ICT services. To summarise, it covers all digital data services provided through IT systems on an ongoing basis.

DORA specifically defines ICT services as "digital and data services provided through ICT systems to one or more internal or external users on an ongoing basis, including hardware as a service and hardware services which includes the provision of technical support via software or firmware updates by the hardware provider, excluding traditional analogue telephone services".

Blythe warns that, in practice, all data analytics, data processing, technical services etc could potentially fall in-scope of what constitutes ICT services, even if the provider does not categorise itself as a "traditional ICT service provider". They could also fall within scope irrespective of whether or not the services are provided intra-group or externally.

Importantly, not all third-party providers are directly regulated under DORA, only those designated as "critical" and subject to the oversight of the supervisory authorities. Designation criteria for critical ICT TPSP include where ICT TPSP is systemically important to a large number of financial entities; support a financial entity's critical or important functions; and difficult to substitute.

> ***"It is unlikely that regulators will have an abundance of sympathy for in-scope organisations which haven't adequately prepared, or those that haven't started to prepare."***
>
> **Francesca Blythe, Sidley Austin**

Blythe warns that those ICT service providers not designated as critical may still indirectly fall within scope via contract, because the in-scope EU regulated financial entities are themselves obligated to impose certain contractual obligations on their providers.

In terms of the key points in-scope entities and providers are required to follow: ICT risk management and governance rules will require firms to implement a comprehensive risk management framework for ICT systems. For example, this includes using standard operating procedures (SOPs) and IT security measures.

For incident response management and reporting rules, those in-scope will need to establish systems for monitoring, classifying and reporting ICT-related incidents. Major ICT-related incidents must be reported in phases to a competent authority and (in certain cases) to financial entities.

According to de Freitas, there has been an uplift in timeframes and notification requirements in this respect. Under DORA, firms have 24 hours to let the relevant competent authority know that a potential major breach has taken place.

Firms then have 72 hours to report an intermediate report. The final report around this breach needs to be settled and completed within 30 days.

Furthermore, in-scope firms must establish, maintain and periodically review a comprehensive digital operational resilience testing programme. Here, de Freitas indicates that resilience testing "needs to be aligned with the profile of the organisation". For example, testing for a firm actively trading on markets versus a private markets organisation may be different — as the former may require a higher availability of key systems.

Information sharing of events which have happened across the landscape and of any incidents which have happened in relation to cyber threats is a "key sentiment" which is echoed throughout multiple areas of the DORA legislation, de Freitas explains.

There are also requirements for critical third parties, this is important because "regulators appreciate just how much financial entities tend to outsource, with that outsourcing comes significant risk", de Freitas comments. These third parties will need to undertake diligence and ensure appropriate contractual measures are in place.

As with all regulatory changes, it is imperative for in-scope firms to be aware of the penalties they face if they do not adhere to new requirements.

Penalties for breaches of DORA will be imposed by competent authorities at the national EU Member State level, eg criminal penalties, administrative fines, and mandatory implementation of remedial measures. Members of financial entity management can be faced with fines and can even be individually named in public decisions by the competent authority.

Currently, critical ICT TPSPs can be fined up to one per cent of average daily worldwide turnover every day for up to six months. While non-critical ICT TPSP may lose clients if it does not comply with contractual requirements.

Prepare, prepare, prepare

With DORA first published back in January 2023, by the time the implementation date comes around two years would have passed. Due to this, Blythe believes "it is unlikely that regulators will have an abundance of sympathy for in-scope organisations which haven't adequately prepared, or those that haven't started to prepare".

She adds: "We really would recommend that this be treated as a priority."

An ESMA spokesperson emphasises that such requirements are not entirely new as "many financial entities have been subject to sectorial guidelines, regulations, or supervisory expectations in the areas of ICT risk management, incident reporting and outsourcing for years" — while for some firms in the financial sector, some of these may be new.

Financial entities are expected to identify and fill-in the gaps between their internal setups for management of ICT risks and the DORA requirements as soon as possible.

Speaking to Securities Finance Times, de Freitas reveals that the US, in particular, has experienced a lack of awareness about the regulation. He pinpoints that firms' uncertainty around whether or not they are in-scope was the main reason for this — "there is still a good deal of uncertainty around the concept of extraterritoriality".

"In the UK, in recent months, there has been more heightened activity in the run up to the deadline but firms are still assessing the degree to which their operations fall within the scope of the regulation," de Freitas explained.

For those firms 'late to the game', he recommends that firms undertake a comprehensive gap analysis against their current programme versus the new requirements, allowing them to forge a prioritised and pragmatic roadmap to future compliance.

In addition, he believes a risk-based approach would be beneficial to firms that are still early on in their journey to complying with the requirements, understanding where their gaps lie — whether it be smaller changes to their in-scope policies or fundamental upgrades to their technical controls.

The potential scope of work involved in this type of project should not be underestimated, warns Blythe.

She adds: "Helpfully though, DORA emphasises the importance of proportionality. As such, if a company is only just now turning their attention to this, they can likely adopt a more risk-based or strategic approach to compliance."

For example, when it comes to the inevitable contractual re-papering exercise, companies may consider prioritising contracts where the ICT services are core, as opposed to ancillary to their operations.

"Where possible, companies should also take advantage of their compliance with existing similar legal obligations (ie not all DORA requirements are necessarily new or will demand a heavy lift) and leverage external support to ensure efficiencies," Blythe explains.

From a technology perspective, firms preparing for this regulation "need to thoroughly evaluate and possibly revamp their technology stacks", according to Crowther.

This involves establishing a comprehensive ICT risk management framework and digital operational resilience strategy.

Key steps for Crowther include conducting health checks of existing systems, setting impact tolerances, mapping dependencies, and developing robust incident response and communication plans.

He adds: "Ensuring regular testing and maintaining updated self-assessment documentation are also critical components of a robust compliance strategy."

> ***"DORA is expected to bring in a change of culture in the implementation of ICT risk frameworks for the industry, but also for the supervision of such risk"***
>
> **ESMA**

Looking forward

Summarising how the regulation will shape the future of the securities finance industry, Broadridge's Crowther says DORA will redefine the landscape by promoting harmonised resilience practices across regions, therefore driving efficiencies and risk mitigation.

In line with this, ESMA interjects: "DORA is expected to bring in a change of culture in the implementation of ICT risk frameworks for the industry, but also for the supervision of such risk. We very much look forward to its benefits in elevating the quality and trust in the financial services provision."

Broadridge is proactively preparing by partnering with clients to improve digital resilience through its expertise in ICT frameworks, mutualised platforms and processes, and robust operational strategies.

He adds: "We emphasise collaborative solutions to navigate regulatory challenges effectively, ensuring that our clients within the securities finance domain and the wider financial sector are well-equipped to meet DORA's demands.

"By helping organisations fortify their defences and streamline their operations, we contribute to a more stable and secure future for the financial sector as a whole." ■

Clear obligations

Maciej Trybuchowski, CEO of KDPW_CCP, looks at central counterparty clearing and active clearing account obligations under EMIR 3.0

In order to increase the attractiveness and financial stability of EU clearing services, the European Commission is planning to introduce the EMIR 3.0 package, which will mandate entities trading over-the-counter (OTC) derivatives to open so-called active accounts (clearing accounts) in EU-authorised central counterparty clearing houses (CCPs) for eligible instruments cleared in euros and Polish złoty, which have been recognised as products having systemic importance for the financial stability of the European Union. The introduction of the requirement for market participants subject to the clearing obligation to maintain active accounts in CCPs based in the EU is intended to mitigate the risks resulting from a disproportionate concentration of OTC derivatives being cleared by EU market participants in third-country CCPs and as a result, to reduce the relatively high exposure to these CCPs.

EMIR 3.0

At time of writing, the EMIR 3.0 regulation is awaiting formal approval by the European Parliament. It will next be published in the Official Journal of the European Union, and 20 days following the official publication, the provisions of the EMIR 3.0 regulation will enter into force. However, six months later, most probably around the beginning of the second half of 2025, the specific requirement to have an active clearing account with an authorised EU-based CCP will come into effect.

KDPW_CCP is an authorised CCP headquartered in the EU, which clears OTC derivatives in EUR and PLN. This is why we are actively encouraging those entities covered by the new obligation to ensure advance compliance with EMIR 3.0 and to open a clearing account well before the close of the deadline.

Active account under EMIR 3.0

The EMIR 3.0 regulation introduces the obligation for EU market participants who clear certain OTC derivatives in EUR and PLN in third-country CCPs, to open an active account — that is at least one clearing account — either directly or indirectly in an EU-authorised CCP.

Active accounts must meet the requirements set out in EMIR 3.0.

Additional requirements for active accounts will be set out in the Regulatory Technical Standards (RTS) to the new regulation. The European Securities and Markets Authority (ESMA) will need to submit a draft RTS to the European Commission within six months of the entry into force of the EMIR 3.0 regulation.

The Commission will then on their basis approve the delegated regulations, translated into authorised separate languages (Member States usually have three months to submit any comments). After voting on the provisions of these regulations, they will next be published in the EU Journal of Laws.

Who will be obliged to open an active account?

The obligation to hold an active account with an EU-authorised CCP — either directly or indirectly — applies both to financial counterparties (FC) and non-financial counterparties (NFC) which:

- Are covered by the central clearing obligation.
- Are clearing members of a third-country CCP.
- Exceed the clearing threshold (Article 7a(6) of the Regulation) for any of the instruments subject to the obligation to clear via an active account (interest rate derivatives denominated in EUR and PLN and short-term interest rate derivatives denominated in EUR).

If an entity is mandated to open an active account, it has six months from the date of becoming subject to the obligation to do so.

Active accounts in KDPW_CCP

KDPW_CCP fully complies with the requirements for EU CCPs and clears OTC interest rate derivatives denominated in EUR and PLN which will be covered by the active account requirement.

KDPW_CCP ensures the clearing of the following transactions in derivatives in PLN and EUR (interest rate derivatives):

- Forward rate agreements
- Interest rate swaps
- Overnight index swaps
- Swaps

"We are actively encouraging those entities covered by the new obligation to ensure advance compliance with EMIR 3.0"

KDPW_CCP offers new clearing members:

Asset segregation.

- Standardised onboarding for EU market participants with no additional requirements.
- Simple set-up of an active account (clearing account).
- Communication via FpML and XML messages.
- Online access to the clearing system with the ability to view information on cleared derivatives and with the option to send and receive information to and from KDPW_CCP; free test environment and support in implementing test scenarios.

Entities subject to the new active account obligation are encouraged to ensure compliance with EMIR 3.0 well in advance.

KDPW CCP

EMIR 3.0

Active Accounts

KDPW_CCP fully complies with the requirements for EU CCPs and clears OTC interest rate derivatives denominated in EUR and PLN which will be covered by the active account requirement.

Active accounts with KDPW_CCP

Standardised process for granting participation in KDPW_CCP – no additional requirements for EU market participants, exemption from the fee for entry into the register of clearing members in 2025;

Simple process for opening an active account with KDPW_CCP – free-of-charge access to the test environment, support for the execution of test scenarios, asset segregation;

Free-of-charge access via external GUI to KDPW_CCP's clearing infrastructure and a clearing system based on FpML and XML communication;

No fees for opening an active account with KDPW_CCP.

We offer a range of facilities for new clearing members:

- meetings to ensure effective preparation of accession documents,
- support in setting up A2A communication links,
- workshops to present the functionalities of the KDPW_CCP clearing system,
- workshops to present the capabilities of the external GUI, which supports online access to KDPW_CCP's clearing system,
- cooperation in the execution of test scenarios in the test environment available free of charge.

More information:
www.kdpwccp.pl/en/active-accounts.html

A conceptual framework for RegTech

Andrew Hutchings discusses what the regulation big picture looks like, and the real reason why it is a very positive one

There is a lot of noise in financial services. There is a lot of noise in technology — and an absolute cacophony where they both meet. This is as true of RegTech as it is with FinTech companies whose solutions address needs in other areas — such as payments.

An obvious question is: how does one make sense of what is happening amid the din? Is an exciting new announcement just that, or should it be considered in some context?

Conversely, is a warning about problems from an industry leader or government official just another opinion or is it a part of a bigger story?

The bigger story will bring complexity.

This article seeks to build a conceptual framework that will link any announcement or development in RegTech to a major theme. To do this, we spoke to industry experts and senior executives with leading RegTech companies.

In order to build the conceptual framework, we asked just three questions:

- *What are currently the major positives for buyers and providers of technology that facilitates compliance with regulations?*
- *What are the main challenges facing buyers and providers of RegTech?*
- *Where is the Blue Sky — opportunities for massive and positive change over the coming years — for RegTech?*

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The benefits of an ecosystem

A client that deals with a RegTech does not just obtain a third party (and often cloud-based) solution. The client also becomes a part of a dynamic ecosystem.

As Rory McLaren, chief product officer at Kaizen explains: "The RegTech's clients have the opportunity to share war stories. There is greater transparency. Pain points for any particular client can be identified with suitable anonymity. Through the ecosystem, the clients can convey their points of view to the regulators. The RegTech therefore provides each client with the chance to drive change."

Struan Lloyd, managing director and global head of Cappitech, adds: "Being at the centre of a large and diverse community is a great advantage. Having a diverse community allows us to build a solution that covers the challenges across various client segments. Each member also brings new ideas to the table and this benefits the community."

A second positive trend is the ongoing move towards automation.

As Quinn Perrott, Co-CEO and Co-Founder of TRAction Fintech, notes: "This is good news for both us and our clients. For many of the clients, it is difficult to find and retain good personnel. Manual reporting of trades is becoming increasingly expensive and — if key personnel are absent on a particular day — too unreliable."

The constant challenge of constant change

Onboarding of new clients is not necessarily easy. As TRAction Fintech's Perrott remarks: "Some potential clients take time to realise that they actually have a problem which needs to be solved. In some cases, clients make first contact with us just as a new regulatory change is commencing, rather than in the lead-up after it is announced."

Constant change to regulations in the major markets in which most of the leading RegTechs operate is often cited by industry observers as a challenge.

If so, the challenge is likely to diminish in the short term.

As Cappitech's Lloyd observes: "We had to cope with five major rewrites in 2024, including the move to XML and the addition of UPI. In 2025, there are major changes in two of the main markets — Canada and Hong Kong.

"The US Securities and Exchange Commission is due to approve Rule 10c-1a in early 2025, with the result that it comes into force in January 2026."

The change also brings, to the RegTechs at least, a silver lining.

According to Kaizen's McLaren: "At any one time, there are many regulations that are changing. Very few of the independent vendors of technology are expert in all areas. The buyers — our clients — would prefer fewer rather than numerous commercial relationships. That is why they should sensibly deal with RegTechs, who collaborate with numerous technology providers."

Clear blue sky

RegTechs are still excited about the potential of the cloud.

As Kaizen's McLaren notes: "It is central to flexibility, scale and cost efficiency. Without the cloud, we'd be using some resources intensively for parts of each day and hardly at all at other times.

"With the cloud, resources can be used efficiently around the clock. In short, the cloud makes it easier for vendors and RegTechs to collaborate — providing the clients with the solutions that they need."

Other observers highlight continuous innovation.

This is in part in response to continual changes in regulations and is partly the result of collaboration with new vendors — as the ecosystems around the leading RegTechs continue to expand.

Cappitech's Lloyd says that the company "is launching an enhanced reconciliation tool and other exciting products in 2025", adding: "Cappitech also benefits from a large network of vendor partners, many of whom are excellent sources of data which are standardised for particular markets."

No discussion of the blue sky in RegTech would be complete without mention of artificial intelligence (AI) and blockchain.

Notes TRAction Fintech's Perrott: "Blockchain is ideal technology for the safe distribution of non-sensitive market information, not least because no one owns the network. AI provides the scope for processing of information on a mass scale to identify market abuse.

"It is also extremely useful for companies that are bound by know your customer rules."

Perhaps the greatest blue sky comes from regulatory convergence. Regulators around the world are collaborating with each other. Rules are being standardised. It is becoming easier for all protagonists — technology vendors, RegTechs and their clients — to benefit from economies of scale.

In short, RegTech is making it easier for financial markets to flourish and for investment and money to cross national frontiers. Transparency is increasing. Investors are becoming better protected.

There is a clear movement towards global standardisation and greater scale. All of this is good news. Indeed, it is in sharp contrast to the widespread political rhetoric at the end of 2024 that calls for restriction in movement across borders of people, goods and services. ■

"Being at the centre of a large and diverse community is a great advantage. Having a diverse community allows us to build a solution that covers the challenges across various client segments"

Struan Lloyd, Cappitech

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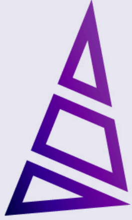

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The KDPW Group offers a package of modern services to entities operating on the financial market: banks, brokerage houses, investment funds, pension funds, issuers of securities, and entrepreneurs. The capital group includes:

- **KDPW CSD -** The Polish central securities depository, responsible for the registration and safekeeping of financial instruments, the settlement of trades from the regulated and alternative trading systems, and for a full range of issuer services, as well as financial data gathering and maintenance.
- **KDPW_CCP -** A modern central counterparty clearing house, which clears on-exchange trades and over-the-counter derivatives using a robust guarantee system that reduces the risk of counterparty default. It is authorised under EMIR for clearing in Polish zloty and euros.
- **KDPW Trade Repository -** One of only a handful of fully authorised trade repositories in Europe, offers a wide selection of reporting services, including EMIR and SFTR, and is accredited as an approved reporting mechanism under MIFID II and MIFIR.
- **KDPW** operates a Numbering Agency which issues ISIN, FISN and CFI codes. As a GLEIF-accredited LOU, it assigns LEI codes for its large domestic and international client base.

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REGIS-TR is the leading European trade repository offering reporting services covering all the major European reporting obligations. Established in Luxembourg in 2010, REGIS-TR is the largest European TR for EMIR / REFIT, and offers services covering SFTR, FinfraG, and UK EMIR / REFIT.

We believe in providing our clients with the best-in-class support. Rooted in the heart of Europe, the team of some 100 experts working for REGIS-TR are spread over four locations (Luxembourg, Madrid, London, and Frankfurt). Our teams are expert in both the regulations and the solutions. We continue to set up partnerships with leading vendors and infrastructure providers to meet the demand from clients looking to reduce their reporting burden.

Our regulatory reporting solutions are designed to enable both financial and non-financial institutions to streamline their reporting processes and benefit from significant economies of scale. We offer a robust, high-capacity technical infrastructure, a choice of secure connectivity methods and message formats, reporting and user management features, a high level of data protection and a competitive, transparent pricing structure. We operate a competitive and transparent pricing policy and offer a flexible account structure that can accommodate a wide variety of reporting models.

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For further information about our solutions and services, please contact our Relationship Management team.

Contact: Nick Bruce **nicholas.bruce@regis-tr.co.uk**

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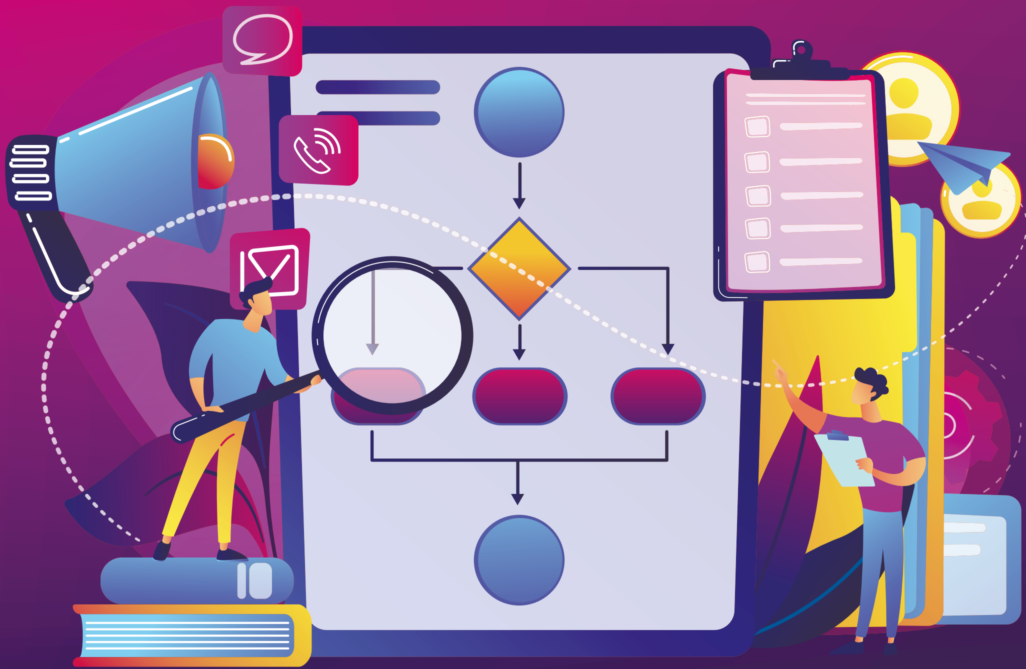

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