

POSTTRADE^{360°}

2020

Long story long

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(The 25-year version) **10**

Let's re-platform!

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Hang in there

What struck me first on my arrival in the post-trade landscape (or secondly, to be honest, after the challenge of getting the grip on what it's all about) was how long you boys and girls have been doing what you do. LinkedIn CV's are telling the tales only sparsely ... first I did ten years there, then sixteen years here.

Our PostTrade 360 Stockholm conference of 2019 soon took place and I realised why. This is a community of people who actually enjoy being here – to depend on each other and to have others depend on them. Building trust over time. As conference moderator and SEB profile Göran Fors had said in my debut interview story: "It is still a people business".

Göran is with us again this year; meet him on page 10. This time – talking about success factors in a multi-year, multi-million-dollar, outsourcing implementation – he highlights the importance of continuity on the personal level. The importance of the team members who stick with their teams.

New technology, including AI and DLT, and the drive for efficiencies, will continue to reshape our industry. Our conference should help boost your deep understanding of the logic. More or less radical challenges to our headcount could well confront us during our careers, and we will all need to stay on top of the efficient work distribution between us and our machines at each point in time. In principle, nothing of this is new to anybody in this community, which is well accustomed to constant change.

But the basic assumption is that two decades on from now, you will still be needed, trusted and (unless you reach retirement age) liking your job. Let us evaluate it when we meet again at the PostTrade 360 conference, around 2040 if not earlier.



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PostTrade 360 – Events and news for post-trade pros

Our origins can be traced decades back in the Nordics, where we are the leading player. With the PostTrade 360 initiative, debuting in 2019, we take a next step.

Our idea is to shift the focus over to you, the post-trade professional, to supply not just an event but a sense of a community all year around. We added a news site with its own editorial desk, and you will find some of its stories in this magazine – here mixed with thought leadership contributions from our sponsors. Our news flow is free, both on our web page and through our weekly newsletter, at www.posttrade360.com.

Further, our event was launched for a first time outside the Nordics, adding Amsterdam as our fifth city for yearly events beside Stockholm, Copenhagen, Oslo and Helsinki.

This QR code leads to the sign-up page for our free newsletter:



And this one leads to our LinkedIn flow. Please click Follow – then let your colleagues know about us!

Do you have news, views or tips on what we could cover? Don't hesitate to contact our news desk at news@posttrade360.com.



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"We needed people and processes that could cater for growth," says Arne Martin Moen, COO of Storebrand Asset Management. His complete IT platform makeover, more than five years in the making, is accompanied by a mindset shift throughout the company.

Storebrand's makeover – his five-year journey

800 billion kroner are being completely re-platformed at Norway's fund giant Storebrand Asset Management.

Chief operating officer **Arne Martin Moen** tells how his group's "multi-boutique" strategy is boosted by the move to a single integrated operational platform.

By Alexander Kristofersson,
PostTrade 360

More than ten legacy systems have been scrapped. Efficiency, as measured by the ratio of managed assets per employee at Storebrand Asset Management, is

First to be scrapped was an external risk system, in 2016 ... By now, more than ten systems have been left behind.

up notably, while both risks and total cost-of-ownership are down.

“This consolidated platform, with its reduced number of integrations, has helped us gain control over data consistency and data integrity. At the same time we have been able to grow our product offering,” says Arne Martin Moen, who has been on the journey as head of investment administration, then recently stepped up to the position as COO.

Started from fragments

The Storebrand group works with store fronts under several brands across three Nordic countries: Storebrand, SPP, Delphi, SKAGEN, acquired in 2017, and Cubera, added in 2019.

“The goal is to have a single, scalable platform which allows us to add new fund families and execute on our multi-boutique strategy.”

The shift to a unified system platform, using SimCorp Dimension, came to take half the decade. No surprise so far, it was all in the plan.

“In 2015 we had a very fragmented IT infrastructure. A lot of systems were developed in-house, typically developed over short time or to fix a certain issue. Though the intention was a short-term solution, they had then stayed on and become key parts of our operations,” says Arne Martin – adding the reflection that a lot of people could probably recognise themselves in that type of situation.

“Best-of-breed” not deemed the best

One of the strategic road forks was whether to go for a range of different best-of-breed systems for various parts of the operation – and enable workflows by connecting them – or whether it would be better to turn to a provider

of a broad platform with pre-established integration between the parts.

While Arne Martin Moen stresses that there is no general answer to which of the two is best, Storebrand’s assessment led it onto the latter path: the big package. The aim of reducing complexity had the upper hand – and while he does not seek to push a single vendor, he considers it a strength when providers can offer the full front-to-back scope.

“We had been using SimCorp Dimension as our investment book of records and portfolio management system for more than 15 years, and wanted to build a scalable platform from that base,” Arne Martin Moen tells.

“So we formed an enterprise strategy and had to align the whole organisation to comply. We decided that all long-term projects should be centred around the Dimension solution: we should always look to Dimension first. If it doesn’t offer a solution, the business case for buying any best-of-breed system outside it must be very strong.”

A long road – one step at a time

“We have a very strong project management department and together with key employees in all parts of the organisation we were able to deliver on this rather ambitious strategy by taking one step at a time.”

As the Dimension platform was built out over the next years, module by module, several old systems were decommissioned. First to be scrapped was an external risk system, in 2016. Legacy systems supporting back/middle office were de-plugged in 2017, followed in 2018 by the exit from a front-office portfolio management system of a well-known brand. SKAGEN

was migrated from their previous portfolio management system in 2019. By now, more than ten systems have been left behind.

An operational beast to tame

With currently some 800 billion NOK in assets under management, Storebrand is one of the big players in the Nordic asset management landscape. Arne Martin Moen lists some features of his complex operational challenge: 11,000 financial instruments and 100 indices to track, around 1,200 transactions per day, and an institution-centric clientele comprising 500 institutions, 145,000 retail customers, 300 segregated mandates and a complex life insurance company setup.

The challenge was not made easier by the fragmentation of op-

erations – over 5 custodians, 3 data warehouses, 4 unit holder registries and tons of suppliers ... The list goes on and on.

Market trends added to the urgency, such as the tide of new EU regulation and the demand shift from active to passive products.

A change of mindset

The changes have meant a system shift in more than one sense – affecting all aspects of the operation.

Arne Martin Moen emphasizes the importance of tight alignment between the people in the IT and business functions.

The whole organisation's approach to technology has moved from that of the "late majority" to being an "early adopter", requiring it to also

rethink what type of people it recruits.

"Historically, the asset management industry has consisted of a lot of manual processing. We saw a need to shift towards a much more digital and automated state. Therefore, we need people with a change mindset that will help take us in the right direction. They need to be change agents, while at the same time securing stability in our daily operations."

One of the crucial success factor that Arne Martin Moen sees is that the strategy was very clear, and had been anchored all the way down from the CEO and CIO. Then, whatever you do there will still always be trade-offs, he adds half-jokingly: "Being honest about those trade-offs from the beginning will really help you when things start going wrong down the line." ■



"Being honest about the trade-offs from the beginning will really help you when things start going wrong down the line."

The Future COO: evolution or revolution?

As we enter a new decade, what does it mean to be a Chief Operating Officer (COO)? The role of the financial services COO has undergone significant change in recent years.



BNP PARIBAS

Contributed by BNP Paribas

COOs continue to hold ultimate responsibility for operational controls, owning the “production line” and budgetary management. But now, they must lead their business’s regulatory compliance and governance agenda, as well as generate change and drive their business’ growth. The COO’s responsibilities are wide ranging and continue to expand.

How are COOs adapting to their changing environments? What resources and relationships do they need to help them do so? And will the future COO need to be different to his or her predecessors?

BNP Paribas’ new research report *The Future COO: Evolution or Revolution?* explores how the role of the COO is changing, and how the future COO will need to think and act. The findings are based on a survey of 250 COOs in 15 countries, across both the buy and sell side.

The COO wants a rebrand

60% of COOs surveyed believe their job title is no longer relevant. The survey reveals that the most popular alternatives are Chief Strategy Officer (38%) followed by Chief Transformation Officer (25%) and Chief Change Officer (17%). This reflects a role that

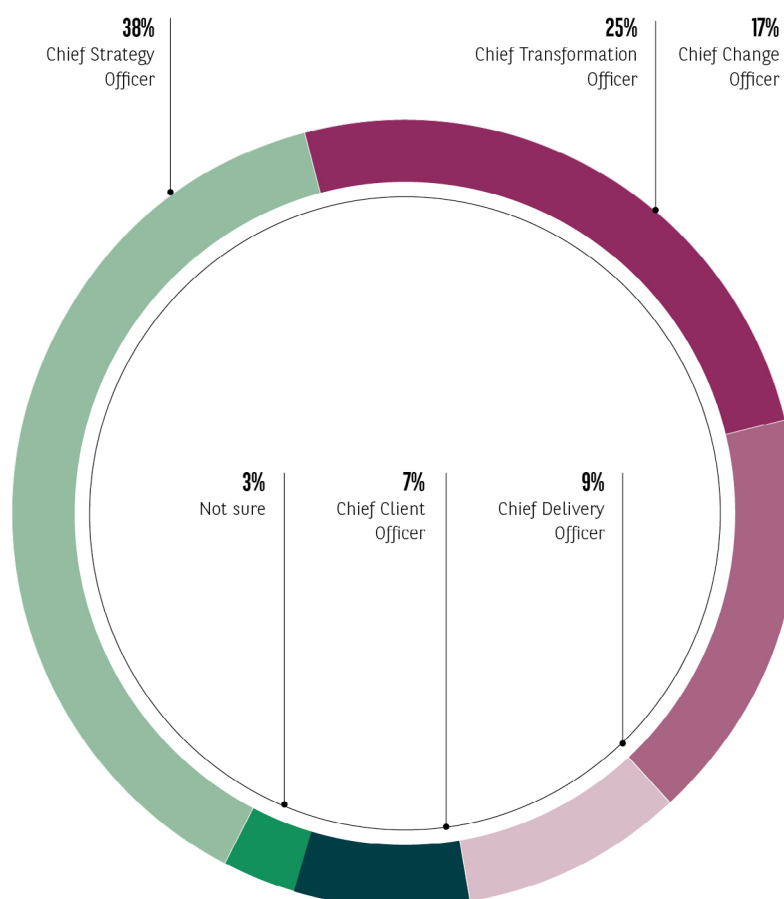
is no longer purely operational, as 80% of COOs have two or more functions reporting to them.

The COO as transformer

COOs are embracing their expanding role, and see transformation and

change as a key part of their role. In particular, the majority of asset manager COOs (59%) plan to spend more time on delivering transformation and change in future – with 61% looking for closer collaboration with IT or tech departments.

AMONG THOSE WHO FEEL THE COO TITLE IS NO LONGER RELEVANT, OPINION IS SPLIT AS TO THE BEST ALTERNATIVE





SUZANNE D WILLIAMS / UNSPLASH

*Spreading
your wings?*

The COO becomes a mentor and coach

COOs cannot simply rely on technology to deliver outcomes. Upskilling the workforce will become the top priority for 67% of COOs, with many planning to spend more time developing talent in their organisations. Simon Olenka, Head of Client Delivery UK at BNP Paribas Securities Services, says: “We can only derive real value by looking after our greatest asset – our people – by developing the right talent, coaching staff and creating the environment in which people can harness technology and succeed.”

The COO’s influence extends beyond the back office

Our research showed that COOs will increasingly become the face of their organisations; 63% of Continental European COOs surveyed told us that spending time with clients will become their top priority. “The most important thing is being able to explain very concretely to your client how you deliver the service, why it is not risky, why it is well controlled” says Alain Pochet, Head of Client Delivery, BNP Paribas Securities Services.

At BNP Paribas we are proud to have partnered with hundreds of COOs over the years, representing a wide range of firms, regions and

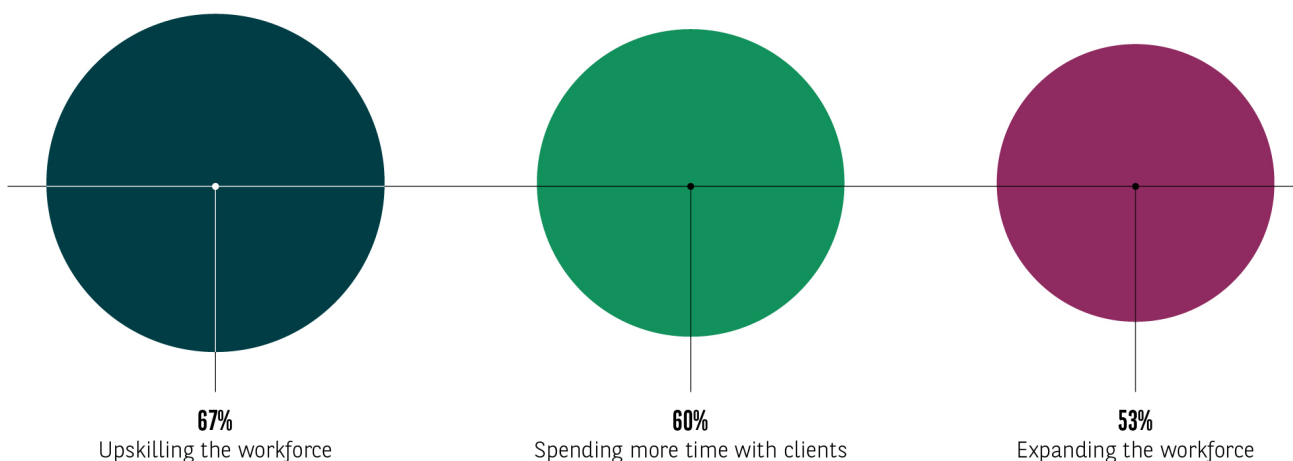
areas within financial services.

Through our global presence across the asset servicing value chain, we support COOs in the day-to-day supervision and management of their operations, reducing their administrative workload and freeing them up to focus on value-added work. At the same time, we work with COOs to transform their employee and customer experience – improving speed, security and flexibility to help fuel their growth. ■

Visit our website <https://securities.bnpparibas.com/> to read the full report *The Future COO: Evolution or Revolution?* and join the industry debate.

UPSKILLING THE WORKFORCE IS KEY TO DRIVING TRANSFORMATION AND BUSINESS GROWTH

Areas that COOs say will become more important for driving transformational projects and business growth



Post Trade in 2020 – our perspective



Contributed by The Swiss Stock Exchange

Throughout 2019, custodian banks and market infrastructures invested huge sums of capital into transforming their back-end technology processes and systems as institutional clients became increasingly digitalised. Simultaneously, those same post-trade providers are busy preparing their businesses for various European regulations, a number of which could prove to be exceptionally costly and destabilising. The Swiss Stock Exchange looks back on some of the bigger issues of 2019, and spells out the potential challenges which 2020 could unleash.

A vibrant new custody model

Historically, the custody industry made its money mostly from asset safekeeping, settlement and clearing, plus a handful of other ancillary services such as securities lending and foreign exchange (FX) execution. As these income streams gradually evaporated, providers started looking for new sources of revenues, prompting more organisations to transition

away from offering just commoditised services. Increasingly, the industry is now embracing new technologies such as Distributed Ledger Technology (DLT), artificial intelligence (AI), big data, application programming interfaces (APIs) and digital assets to deliver value to clients.

SIX is widely considered to be at the forefront of innovation. In addition to all of its existing initiatives, the Swiss Stock Exchange recently launched a new technology interface aimed at easing some of the constraints around collateral management. Instead of users managing their collateral on multiple systems across their front, middle and back offices, the Collateral Cockpit creates an interface to consolidate all of these fragmented information systems enabling repo market professionals to manage their collateral holistically in real-time on a single platform.

CSDR: Postponed to 2021

Regulation of post-trade activities continues to evolve. The EU's CSDR (Central Securities Depository Regulation), meant to introduce settlement discipline measures across the European post-trade ecosystem, will now come into effect on 1 February 2021, giving market participants an extra six

months to prepare. Through the imposition of fines and mandatory buy-ins, EU regulators are looking to promote efficiencies in the trade settlement process. While settlement efficiency is certainly something which post-trade providers should aspire to, there are concerns the rules could impose heavy costs at impacted institutions, while some believe the mandatory buy-ins risk undermining liquidity.

Clearing in the spotlight

Some of the proposed amendments to the European Market Infrastructure Regulation (EMIR) are proving contentious for third country central counterparty clearing houses (CCPs). Under ESMA's (European Securities and Markets Authority) proposals, tier 2 (i.e. systemically important) non-EU CCPs would be subject to more invasive EU regulatory oversight if they are to retain regulatory recognition. In some instances, systemically important non-EU CCPs could be forced to relocate into the EU at vast cost if they are not granted recognition by ESMA, amplifying market fragmentation even further.

CCP interoperability – which was first enshrined under EMIR – has played an instrumental role in facilitating user choice by allowing market



MATT NOBLE / UNSPLASH

participants to clear their transactions at multiple venues located inside the EU. In addition to users obtaining better fee terms, clearing costs have also fallen as a result of the reduced loss absorption obligations, enabling liquidity to flourish. Nonetheless, the European Systemic Risk Board (ESRB) concedes there are some outstanding issues facing interoperability which need addressing.

Firstly, the ESRB says greater clarity is required in terms of the treatment of interoperability arrangements under the CCP recovery and resolution framework. Moreover, there is growing debate about whether interoperability should be extended to the derivatives market. While the industry is fairly agnostic about interoperability being permitted in the on exchange derivatives market, they are largely opposed it being applied across OTC products. This is because OTCs usually have longer maturities in what could lead to added complexity.

Looking into 2020

A number of new regulations will take effect in 2020, and their impact will be felt extensively across the post-trade industry. Even though the Shareholders Right Directive II (SRD II) is predominantly designed to promote

investor engagement with the underlying companies in their portfolios, intermediaries including CSDs will now need to pass information to both issuers and investors in near real-time allowing asset owners to exercise their shareholder rights. At present, a number of intermediaries do not have sufficient levels of automation to support the transmission of issuer/investor information that quickly in machine readable ISO format, and this is a deficiency which requires urgent redress.

The passage of the Securities Financing Transaction Regulation does for securities financing trades (SFTs) what EMIR did for on-exchange and OTC derivatives. Any participant actively involved in the SFT market (i.e. repos, etc) will now need to report information about their transactions to a trade repository. While some institutions may try and leverage their EMIR experiences, SFTR will force organisations into making major changes to their operations. ■



SIX

Decades in agony, then SEB gets custody

Eight years after the “go” in 2012, Sweden’s SEB finally dares calling it a success: the huge integration project with custody outsourcing partner Brown Brothers Harriman. Now many new mandates are won.

Interviewed by PostTrade 360, SEB’s **Niklas Nyberg** and **Göran Fors** tell the story. Of a rocky path, starting way back.

By Alexander Kristofersson,
PostTrade 360



Göran Fors and Niklas Nyberg both work with SEB’s custody since the 1990’s. Already then they saw their business stuck in a dilemma over the need for a massive operational investment. “It is not until now that we feel we finally got it right,” says Niklas Nyberg.

right

ALEXANDER KRISTOFERSSON

The project name was “P6”, and there was a reason for it. This was the sixth time that SEB launched a reassessment of its global custody strategy. The focus was on institutional clients such as insurance companies, pension funds and fund companies. The previous five attempts had all left an itch.

With some 4,500 billion SEK in assets under custody (AuC) in its global custody business, SEB is a large player by Nordic measures. Adding its sub-custody assets, held for overseas investors, gives a total AuC above 10,000 billion SEK today.

But let us rewind. As SEB’s global custody business emerged, on the back of Sweden’s currency-exchange deregulation in the late 1980’s, the global competitors had already had many years to establish their positions.

”Ever since the 1990’s, SEB had been in agony about the size of the investment that would be needed to catch up operationally with the big global custodians. Because on the



“It was unthinkable for our owners to see their bank unable to discuss securities handling in detail with its corporate and institutional clients. This is part of our DNA.”

Niklas Nyberg

other hand we felt that we just couldn't let our key clients down," tells Niklas Nyberg.

Today head of institutional global custody, Niklas Nyberg can look back at a 22-year career in SEB's custody business which coincides in time with the relentless reconsideration of its existential dilemma. So can Göran Fors, currently deputy head of Investor Services, who came in at SEB around the same time in the mid-1990's. Plans existed, already then, to outsource some operational tasks to OM (the precursor of Nasdaq's tech division in Stockholm), but did not materialise. We meet at SEB's history-laden head office at Stockholm's Kungsträdgården, and Göran leaves it to Niklas to draw the interior.

"We kept putting make-up on the pig, so to speak – improving what we could – but by the early 00's many of the larger institutions had let go of us. We risked being perceived as the provider of an over-priced but under-performing product – which could hit back on the image of our services and brand generally," says Niklas Nyberg.

As a part of the Wallenberg sphere since the 1800's, SEB served as a catalyst for Sweden's global industrial impact over the next century. Today, this reflects in a leading position as house bank to a large share of the Nordic region's large corporates and institutions. (The institutional investor part in the segment is growing and now makes up nearly half of SEB's LC&FI business.) So SEB is a regional giant in the segment. But a giant which, on the scale-economy-driven market for global custody services, is battling with international giants a hundred times its size.

Around 2010–2011 the indecision had finally transformed into determination to do something. But what? Four high-level alternatives were sketched:

- build a state-of-the-art platform at the bank itself,

- outsource operation to a partner that already has one,

- keep on using the existing infrastructure, mitigating the drawbacks, or

- sell the global custody activity while doing the best to still keep the trading business – a strategic path with similarities to those later chosen by other large actors like Deutsche Bank, Barclays and Nordea.

"We quickly identified that our owners did not want to sell," says Niklas Nyberg.

"It was unthinkable for them

"So was there any early-exit possibility, or just all or nothing?"

"That is a very good question," Niklas Nyberg answers. "In fact it is a question we spent about half a year evaluating."

to see their bank unable to discuss securities handling in detail with its corporate and institutional clients. This is part of our DNA. Additionally, it would cause a major income drop over-night, and the buyer would probably be a competitor to SEB also in other areas."

The mitigation path, too, was soon excluded. Virtually having done it for more than a decade had made things worse, not better.

So build or outsource? The two remaining alternatives were considered near equal both in terms of capability and investment cost. But building a new in-house platform would bring some drawbacks: Competitors would not stop improving their systems and products, so the imperative for more investments would stay forever. And

then the build-up project would be so big, not even all the knowledgeable consultants in the Nordics would have been many enough to staff it.

The outsourcing would be for the technical platform provision – not leading to handover of any client relations as such from SEB. US custody bank Brown Brothers Harriman, BBH, was soon spotted as the particularly suitable strategic fit. It was a reasonably close match in size, rather than a giant, and had decided on a strategy to invest in its platform to provide just this type of capability for other custodians. BBH had long been SEB's sub-custodian in the United States so there were good personal relations too.

However, according to Niklas Nyberg, the integration for SEB was a much more complex venture than anything BBH had previously done in this area. At the peak, the project was keeping 350 people busy – 200 on SEB's side and another 150 at BBH.

"In hindsight we can observe that they were not mature for an outsourcing project at this level. They, too, have had a lot of learning to do," says Niklas Nyberg.

Several hundred million SEK had been budgeted on SEB's side, but complexity emerged along the way. In 2015 it was clear that the allocated resources would not be enough.

So was there any early-exit possibility, or just all or nothing?

"That is a very good question," Niklas Nyberg answers. "In fact it is a question we spent about half a year evaluating."

By this time the team was under heavy stress.

"There were hot discussions. We had invested a lot of money – but still had costs ahead. Many of our people had worked very hard for a long time. And then nobody could give answers, nobody had done this before us. We could only trust our gut feeling."

An exit scenario, limiting the implementation to Luxembourg-based as-

sets, was pitched against the full scope. But the bank's top management kept trusting its custody people, and stayed committed to sponsoring the job until it was done. Around late 2015 the decision was made to prioritise the Swedish market with its key clients, and to go the full stretch.

"That turned out to be a very, very good decision", says Niklas Nyberg, evidently relieved.

By the time the first client went live on the new platform in October 2016, Niklas Nyberg knew his team was past the turning point.

"The first year we did put effort into the sales but also into ensuring the functionality. It is since 2018 that we have been public and confident in our sales activities – with success. So in the last two years, we have been seeing our dreams materialise."

He claims his business now enjoys a "hit-rate" around a remarkable 50 percent when bidding for new mandates, and despite a more than doubled total project cost he describes the overall outcome as "quite spot-on in relation to our 2012 business case". One result clearly exceeds expectations: the "straight-through processing rate" – that is, the proportion of transactions that are completed without need for manual intervention. This is up from below 70 percent to above 98 percent, meaning that less than 2 percent of transactions now require a human touch.

So the per-transaction cost must be down remarkably?

To this question Göran Fors cannot resist entering the discussion. "Overall, one would be wise not to think of this type of project as a cost-saving exercise," he cautions.

Göran Fors lists the overall success factors as he sees them in hindsight:

- going with a long-term partner, stable teams on both sides, with members staying throughout the project,
- commitment and trust from top-management, and

"Overall, one would be wise not to think of this type of project as a cost-saving exercise."

Göran Fors

- being determined not to take any easy way out but to pursue what would be the best solution in a long perspective.

Since the project started, new challenges have risen.

"Regulatory requirements have increased, both locally and internation-

ally, so we now have employees whose main task is to monitor the outsourcing," says Göran Fors.

The final touch is still to be added. 20 percent of the assets under the LC&FI business in Sweden still remain to be moved from the old platform. This old platform, in turn, will be staying in use for the retail business, which will then be able to adapt it more closely to its own needs in the future.

Then, in Luxembourg, the first clients will be onboarded with the BBH solution later this year.

"That will mean that our infrastructural tech-journey has reached its destination," Niklas Nyberg concludes.

"That will feel like a milestone." ■



SEB had a key role in the build-up of Sweden's corporate and institutional landscape.

Tokenization: Opening illiquid assets to investors

Tokenization is a capability that leverages blockchain technology to securitize assets, both traded and non-traded. Key benefits of tokenization include increased liquidity, faster settlement, lower costs and bolstered risk management.



BNY MELLON



**Contributed by
Frank Fehrenbach,
BNY Mellon**

Capital markets are still in the early phases of the adoption of blockchain and distributed ledger technologies (DLT) and the industry continues to seek viable use cases. One broad category of such use cases is the creation of digitally tokenized assets, in which the token either represents a property interest that exists only in the Blockchain (such as non-certificated securities) or represents an asset existing off the Blockchain.

The tokenization of real-world assets continues to gain momentum, and investments are being made across the industry.

Definition of Tokenization

While not new to the blockchain world, the tokenization of real-world assets is now attracting industry attention. Fundamentally, tokenization is the process of converting rights – or a unit of asset ownership – into a digital token on a blockchain. To-

kenization can be applied to regulated financial instruments such as equities and bonds, tangible assets such as real estate, precious metals, and even to Tokenization of Copyright to works of authorship (e.g., music) intellectual property. The benefits of tokenization are particularly apparent for assets not currently traded electronically, such as works of art or exotic cars, as well as those needing increased transparency in payment and data flows to improve their liquidity and tradability.

The Benefits of Tokenization

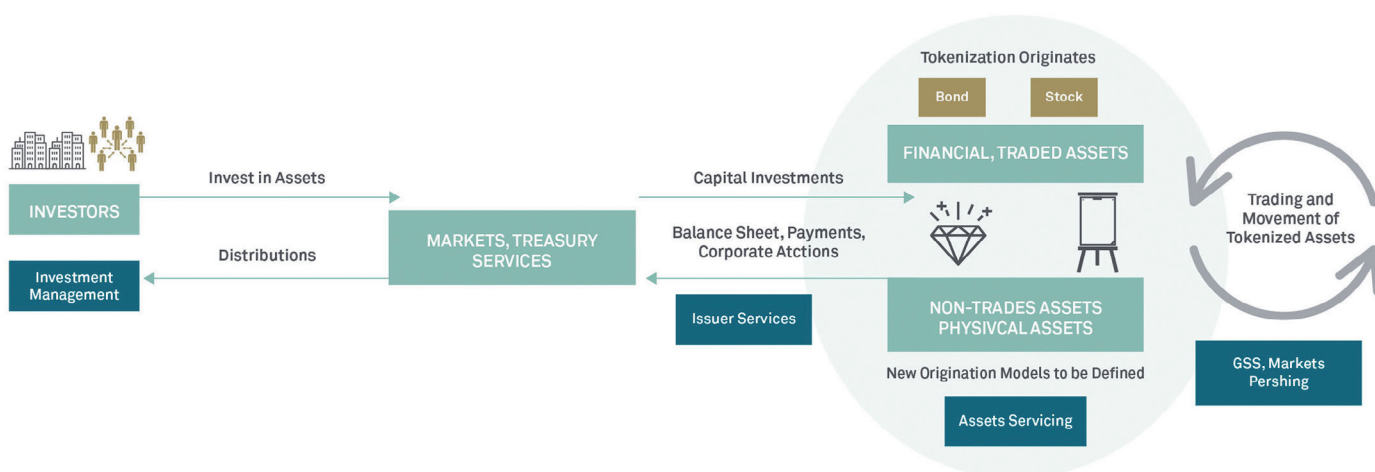
The tokenization of physical assets brings a range of benefits to market participants:

- **Broader investor base:** There is a limit to the level of fractionalization possible with real-world assets. Selling 1/20 of an apartment or a fraction of a company share is not currently practicable. However, if that asset is tokenized, this limitation is removed, and it becomes possible to buy or sell tokens representing fractions of ownership, allowing a far broader investor base to participate. A good example of how tokenization could change the dynamic of numerous assets is in the fine art market. The prohibitive prices that some artists command at auction means that only a highly restricted number of high net worth individuals that have the means to invest in

this asset, with the vast majority of retail investors unable to participate. Issuing tokens that represent a fractional ownership of an artwork may fundamentally change the situation. For example, the property rights in the most valuable painting by Jean-Michel Basquiat—sold for an eye-watering \$110 million by Sotheby's in 2017—could be tokenized, affording even small retail investors the opportunity to acquire a fractional interest in the painting. Tokenization would therefore open the market to a whole new set of investors, now able to diversify their investment portfolios into asset classes previously well out of their reach.

- **Broader geographic reach:** Public blockchains are inherently global in nature because they present no external barrier to the global population and investor. However, in the Institutional Market, relevant KYC (Know Your Client) and AML (Anti-Money Laundering) laws and programs must be followed, and hence the broader adoption of public blockchains has been curbed. Nonetheless, several public blockchains are now performing KYC and AML – and this evolution and trust is expanding the footprint of these digital, Tokenized assets. Importantly, permissioned blockchains are also evolving, providing an important step for the Institutional investor.

- **Reduced settlement times:**



Tokenization can reduce transaction times, potentially by permitting 24x7 trading, and as smart contracts triggered by predefined parameters can instantaneously complete transactions, reduce settlement times from the current durations, at best T+2, to essentially real-time transactions. This can reduce counterparty risk during the transaction and reduces the possibility of trade breaks.

- **Infrastructure upgrade:** For many asset classes, fundraising and trading remain slow, laborious, and require an exchange of paper-based documents. By digitizing these assets on a DLT infrastructure, efficiency in these markets can be vastly improved, with effects further amplified in areas that currently have non-existent traditional infrastructure

- **Decreased cost for reconciliation in securities trading:** The blockchain infrastructure provides a digital ledger for the record keeping of each shareholder position. For the issuer, this will greatly improve the efficiency

of numerous administrative processes, such as profit sharing, voting rights distribution, buy-backs, and so on. Further, the existence of a secondary market will also facilitate the accounting operations of professional investors, such as net-asset-value calculations. As the market becomes more comfortable with the digital ledger as the “golden copy” of data, reconciliation may be completely obviated, as the parties will rely and accept this record.

- **Regulatory evolution:** There is a slow but steady movement by regulators in developed markets to lay the foundation of regulatory frameworks for the creation and exchange of digital asset tokens. Importantly, the real-time data and immutability of data held in a digital ledger will enhance the role that regulators aim to improve – clarity and protection for investors.

- **Improved asset-liability management:** Tokenization will improve the ability to manage asset-liability risk through accelerated transactions and improved transparency.

- **Increase in available collateral:**

By accelerating and improving the fractionalization of new asset classes, tokenization will expand the range of available and acceptable collateral beyond traditional assets. This will significantly increase the options available to market participants when selecting non-cash assets as collateral in the securities lending or repo markets. Coupled with the holistic benefits of Tokenization described above, collateral management globally may be more efficient, transparent and relevant in new asset classes.

Asset Tokens and the Future of the Financial Industry

Leading financial institutions understand the opportunity that tokenization of financial assets represents. When it comes to turning legacy asset classes, such as corporate securities, into vibrant digital markets, we are witnessing several initiatives, notably by incumbent U.S. and European exchanges that are all developing tokenization offerings. From the origination of trading assets to Corporate Trust, the value chain is evolving.

We are still early on the journey towards the tokenization of assets, but it certainly has the potential to dramatically change the dynamic for investors and owners of numerous asset classes. ■

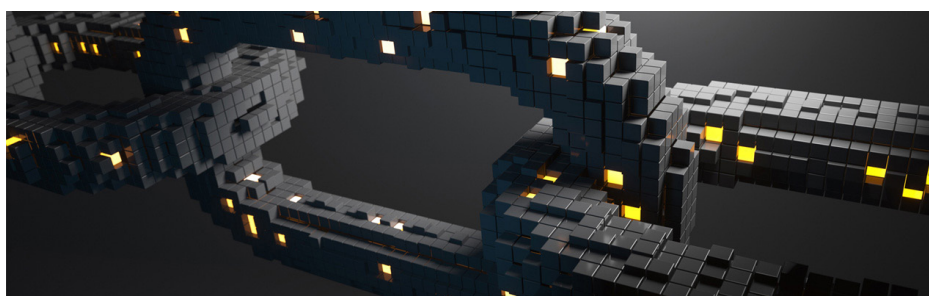


ILLUSTRATION: BNY MELLON

Post Trade

– the world of Partnerships

Swedbank 



**Contributed by
Henrik Reinfeldt
Swedbank**

Delivering satisfactory and future proof full service post-trade solutions to clients is very difficult. I would even argue that none of the Nordic banks can deliver that, at least not by themselves. The solution has been that most banks have established partnerships with international banks and/or other providers. In today's challenging environment it is not only important what you do, but also what you choose not to do. At Swedbank we decided to have a close co-operation with our partners, focus on what each party can deliver to our clients and prospects, a co-operation of equals, rather than focus on always fronting the client with our interfaces. During 2019/2020 we have and will execute on that plan. We have entered into close partnerships with FCG and State Street, as two important examples for us, in order to enhance our offering and present our clients with further alternatives and new products.

With FCG we will in close

cooperation offer a full service model through our Depository, Custody, Clearing & Collateral, Transfer Agency and Funds Administration services added with FCG's Management Company service (ManCo or sometimes referred to as fund hotel). This can give fund companies a possibility to focus on their core task, to manage their client's assets in the best possible way. In a more and more complex world, it can be cost efficient to present a higher quality if you let external parties supplement your strengths and lower the burden of overhead, not only for smaller fund companies but we see this to be true also for larger entities.

With State Street, we have not only decided to switch provider of Global Custody services, but rather taking the view to establish a close partnership and a platform, through which we envision to facilitate State Street's unique product portfolio to clients. With the broadness of products available through them, that are created and designed for their global client base (State Street has over \$34,000 bn in AuC). This can vary from how you have a clear view on your ESG parameters in your portfolio and how that measures against peers, to give you alternatives for your middle or back

office administration and how you can address the world of more and more data etc. State Street have over the years built an interesting set of products that goes beyond being a service provider for safekeeping and settlement of assets, which they naturally do very good as well. In addition to that State Street is one of the largest users of the SimCorp platform, which is widely used in the Nordics. We believe their offering can present a real opportunity for Asset Managers to focus on their core and leave the development and operations of middle and/or back office to a value add provider. State Street does also provide, through their acquisition of Charles River an interesting front end solution.

Swedbank can together with these partners (and others) present a very attractive custody offering, we are very SWIFT enabled and can present to our clients very high STP levels. Together with our setup of CCCS (collateral, clearing and CLS services) and administration capabilities we are definitely a relevant partner for you now and for the future.

So, if you are a small, middle or large asset manager, make sure that you are talking to Swedbank and see what we can offer your organisation. ■

OTC derivatives clearing on the rise across the Nordics

Nordic institutional investors such as pension funds increasingly choose to clear their OTC derivatives, regardless if they are legally bound to do so. This is one trend within clearing that Danske Bank, one of the few Nordic clearing brokers, is pointing towards in this article on where OTC derivatives clearing is heading.

Danske Bank

Contributed by Danske Bank

The financial crisis rolling in the late '00s caused regulators globally to identify a number of systemic issues to be addressed. This led to various new legislative regimes such as MIFID, EMIR and CRD IV, where specifically EMIR addresses the market infrastructure governing OTC derivatives trading.

With EMIR, and most recently the updated EMIR refit, came mandatory clearing, easier access to clearing, and a requirement to increase market transparency overall. This - together with the Dodd Frank regulation in the US and similar regulation elsewhere - led to a new clearing landscape, where a large share of OTC rate swaps have now moved into the clearing space.

The state of OTC derivatives clearing has changed some since the early days, Danske Bank's Head of Investor Services, Michael Holmgaard Mortensen, says:

"We came from a much lower level of OTC derivatives clearing, whereas now, in line with the legislative intent, this area has moved one way only, and that is up. Although many are not subject to mandatory derivatives clearing, we particularly see

more and more pension funds voluntarily deciding to clear their

Michael Holmgaard Mortensen



OTC derivatives. These funds control significant assets whose management entails comprehensive risk. They look for efficient means to take out risk, and clearing represents an excellent tool to reduce such risk in relation to counterparties".

Danske Bank an early starter

Danske Bank early on identified the new regulation to be a business enabler. Back in 2014, the bank took its first steps to design a new business area called "Investor Services", originally in close collaboration with a single customer. Today, Danske Bank is one of the few Nordic banks that offers a full suite of post trade services, helping institutional investors to be regulatory compliant, efficient and allowing them to focus on their core business.

Michael Holmgaard Mortensen has been heading the Investor Services journey from the outset and has been building the road while driving it. The Investor Services offering nowadays consists of products such as ETD/OTC Clearing, Custody, Depositary Services, Collateral Management, CLS etc. across the Nordics. The offering is supported by a strong value chain community within the Bank that combines expertise to service customers end to end.

Larger institutional investors have more than one broker

Another trend that Michael Holmgaard Mortensen is pointing at is for larger institutional investors to have more than one clearing broker.

This is simply to diversify their risk.

"We often see the constellation of one clearing broker in the Nordics and one global bank. The advantage of using a home market broker is staying power through years where global banks might retrench to home markets and - given the fact that they are local - they hold Scandi currencies expertise. On top of this, Nordic institutional investors tend to appreciate a local partner, who is typically also their house bank."

What do institutional investors look for?

As legislation has kicked in, Danske Bank continues to scoop new customers in the clearing space. They request a collaboration partner that offers the desired local expertise, advisory and capabilities, but usually they also have other demands:

"They generally put an emphasis on the fact that OTC derivatives clearing is part of our strategic offering and that we are here to stay. We have seen large global banks exiting from OTC clearing altogether, leaving clients in a pinch having to secure and migrate to new clearing brokers," Michael Holmgaard Mortensen elaborates.

What else to look out for when searching for the right clearing broker match?

"You should consider the particular strongholds of your prospect provider and their accessibility. I would look for someone who has a strong operational and technical set-up that will relieve you of regulatory requirements. In our view, why not choose someone who offers a wide range of post trade services, which can be combined? By doing so, you will obtain synergies such as less admin, more seamless regulatory compliance and cost efficiencies," Michael Holmgaard Mortensen concludes. ■

Shifting risk to the CCPs

Interviewed by PostTrade 360, **Richard Metcalfe**, head of regulatory affairs of the World Federation of Exchanges, uses strong wording as he rejects calls that CCPs themselves ought to put in a much larger part of the counterparty default reserves.

By Alexander Kristofersson, PostTrade 360

“When you start talking about increasing the money that the CCP throws after the risk takers, you are starting to muddy the waters,” says Richard Metcalfe to PostTrade 360.

As evident from the name, the World Federation of Exchanges (WFE) speaks for financial exchange operators. Less evidently, perhaps, it also represents the central counterparty clearing houses, the CCPs – some of which belong to exchange groups while others are independent clearing specialists.

As PostTrade 360 recently noted, WFE is embarking on a 12-month effort to set things straight, as it sees it, when it comes to the public understanding of what a CCP’s actual role is.

This eventually boils down to the amount of reserves which should be prepaid respectively from the CCP’s



To call for clearing houses to throw reserve money after credit-risk takers is to “muddy the water”, according to WFE’s head of regulatory affairs Richard Metcalfe.

equity holders and by the CCP’s members – the trading counterparties who pre-emptively seek insurance against each other’s defaults.

Nine banking and investor heavyweights recently published a detailed proposal for a radically beefed-up reserve contribution by the CCPs themselves – “skin-in-the-game”, as it is called – to cushion the system. The WFE sees that call as just the latest in a long line of challenges.

Back to pre-2008

“It would be a perversion of the role of the CCPs to simply take on the credit risk of the deal between two parties of a trade without holding them to account,” says Richard Metcalfe.

The logic is that this would distort the incentives. Banks and investors who get paid for taking on large credit risks in good times could then be better off if they escape the corresponding cost of preparing fully to pay up if the trade exposures go really bad.

Such distortion has been seen

as a key cause of the financial crisis around 2008, marked by the collapse of Lehman Brothers. The basic role of CCPs was not different, but a larger part of derivatives trading took place outside them, bilaterally, and many traded assets were not transparent in terms of their risks.

Police – not rescue team

Fundamentally, it is market participants themselves who do – and should – put up enough collateral to guaran-

“It would be a perversion of the role of the CCPs to simply take on the credit risk of the deal between two parties of a trade without holding them to account.”

Richard Metcalfe.

“would be a perversion”

tee that their counterparties don't get short-changed if they go bust, goes the WFE's point. The CCP should be the police of that – and bets a chunk of its own equity, into the reserve, to signal that it believes in its own actions. What the WFE is rejecting is a persistent call from big CCP members/clients for increased CCP-contributed reserves – enough, in themselves, to hold up the system in the case of a big crisis.

“The CCP signals its alignment with its users by putting some of its own capital at risk – but the main job is, and always has been, to hold those risk takers to account. And just as the CCP must signal its alignment, the members must signal that they cannot walk away from their commitments in hard times,” says Richard Metcalfe.

Warns of member concentration

With all the efforts made to improve the financial system's transparency and resilience since the credit crisis, it follows logically that the next true threat will not just be Lehman-sized, but a “Lehman Plus”, he points out.

He does not see major risk that the calls for increased reserves from the CCPs would turn regulators against them.

“They see that CCPs have an important role to play. But it's important to have the work move on and not get stuck in irrelevant discussions,” says Richard Metcalfe.

One topic that he would prefer to see focus on is the increasing concentration of large CCP members.

If a default by one of today's biggest banks would cause a mess, it probably would not hit just one CCP but several simultaneously. Also, he sees reason to investigate how the thresholds against accessing CCP services

could be lowered, as many clients now limit themselves to just one CCP, or remain non-clients by leaving their trades uncleared – or even leave their risks unhedged just to stay away from derivatives whatsoever. ■

Finance giants called for more reserves from the CCPs

With Nasdaq Clearing AB's scare of 2018 still in fresh memory, a group of both sell- and buy-side heavyweights launched a detailed proposal in late 2019 for a new clearing regime. The group of nine firms included JP Morgan and Allianz.

“Although CCP shareholders take 100 percent of the returns a CCP earns from clearing revenues, they bear only a small portion of the losses the CCP incurs as a result of a default,” writes the group, which consists of Allianz, Blackrock, Citi, Goldman Sachs, Societe Generale, JP Morgan, State Street, T Rowe Price and Vanguard.

The 10-page paper “A path forward for CCP Resilience, Recovery, and Resolution”, should be easy to find with a search.

“Last year's major default by a member of Nasdaq Clearing AB notably raised again broader con-

cerns related to CCP governance as well as risk and default management standards and practices,” it reads. (For a terrifically written account of those events, let us recommend googling down a long-read article by the New York Times, titled “How a Lone Norwegian Trader Shook the World's Financial System”.)

Four improvements to the waterfall

The paper presents a long list of detailed proposals aimed at improving resilience, facilitating recovery and enhancing resolution.

Four key additions to a typical “CCP waterfall” are being proposed and explained – relating to topics including further tranching of “skin-in-the-game” (SITG); a ballot mechanism to facilitate more support from members when a CCP fails; limited broad loss allocation, and a provision for ex-ante resources.

"The drive for transparency and efficiency will continue to change behaviours"

Cécile Nagel, CEO of EuroCCP, sums up the events of an exciting 2019 – including Cboe's plans announced in December to take full ownership of EuroCCP – and discusses what trends are most likely to shape the industry this year.

EuroCCP

Make a difference

Contributed by EuroCCP

– What was the focus of EuroCCP over the past year?

The last year was a significant – and challenging – one for the European equity market. Twelve months on from implementation, we felt the full impact of MiFID II as the drive towards delivering greater transparency and efficiency changed behaviours in financial markets. We also had Brexit and all the uncertainty about when, and if (now settled, of course) the UK would leave the EU. Added to this, what Brexit could mean in the long run for the UK's financial services sector, for example, the extent to which the UK will align with or diverge from EU regulation, created more uncertainty for everyone.

Despite this, and with the lowest equity volumes since 2014 and a general fall in market activity, EuroCCP retained its place as Europe's leading equities CCP with a 33% share of the region's overall cash equities clearing and a share of over 40% of those platforms offering three-way interoperability.

In response to a changing market infrastructure and operating environment, EuroCCP decided to look for opportunities to diversify and grow its business. To achieve this, the firm's strategic review was accelerated with the result that in December 2019 Cboe Global Markets made an offer to buy 100% of EuroCCP's stock. Both companies have long championed competition, open access and clearing interoperability in Europe, and it is EuroCCP's firm belief that we will be able to maintain and extend these benefits to customers throughout the region in the future.

– What market drivers do you expect to see this year?

Regulation will be a key driver encouraging firms to take a critical look at the existing inefficiencies and associated risks. The Settlement Discipline Regime (SDR) under CSDR, scheduled to come into force early next year, introduces a new mandatory buy-in regime, as well as penalties for failed trades which could significantly augment the cost of doing business for the buy-side. Significant concerns remain over how aware the end investors are of these new measures. Importantly, ETF trades – 70% of which in Europe remain uncleared – will fall under the scope of the new requirements.

Against this backdrop, EuroCCP continues to progress the conversations initiated last year with the ETF industry on a number of initiatives aimed at increasing post-trade efficiencies. Through our interaction with ETF



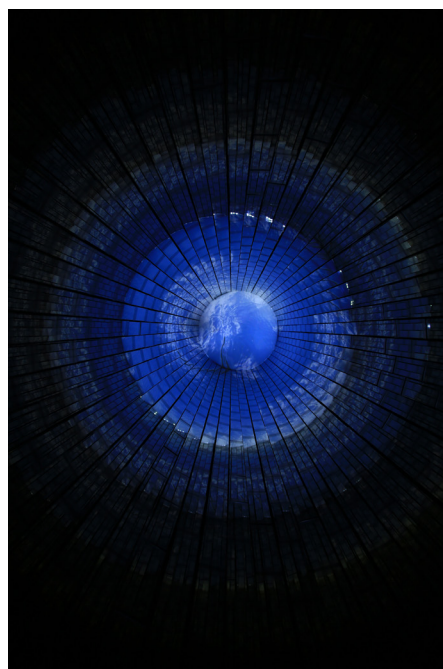
Although Britain's exit from the EU is now a fact, EuroCCP's CEO Cécile Nagel sees it as a prevailing major risk for the integrity of European markets.

RFQ platforms, clearing members and industry bodies, we are advocating for operational models that reduce the impact of CSDR and can help firms manage the operational and financial impact of the SDR. This includes clearing of ETFs, products and services to support buy-side clearing and settlement, as well as the introduction of a buy-in agent service to support mandatory requirements for OTC trades.

Of course, returning to Brexit, we must acknowledge the fact that it will continue to be one of the biggest challenges for London and a major risk for the integrity of European markets. Despite market participants continuing to pour significant resources into preparing for the UK's departure, further clarity is still needed to prevent serious disruption to the provision of cross-border services and business continuity.

– What will EuroCCP be focusing on in 2020?

EuroCCP has an exciting year ahead. Following the announcement of Eu-



EUROCCP

roCCP's acquisition by Cboe Global Markets, EuroCCP is focusing on preparations to launch equity derivatives clearing in Europe, subject to regulatory approvals. This represents a natural evolution of EuroCCP's offering, and the Cboe transaction is expected to introduce other growth opportunities for the business, too.

Furthermore, the ETF initiatives EuroCCP launched last year are expected to gain significant momentum throughout 2020. We are in advanced stages of discussions with market participants around expanding our ETF clearing capabilities, including further OTC RFQ connectivity. We also expect our new service for primary market clearing of ETF – the first of its kind in Europe – to go live this year. Our aim is to help create efficiencies and support the growth of the European ETF market – in line with what can be observed in the US.

Finally, EuroCCP will continue to act as the pre-eminent industry voice championing open access and competitive clearing. Open access has been the essential driver of post-trade simplicity and efficiency, allowing industry participants to consolidate more flow, reducing complexity and leading to significant operational, netting and cost efficiencies. To date, EuroCCP has extended its clearing access to over 95% of cash equity trades executed on organised markets in Europe. To note, Nordic markets have always been incredibly supportive of competitive clearing and CCP interoperability, with Nasdaq having introduced a three-way interoperability in 2016 and Oslo Børs in 2018. Numerous Nordic banks are making good use of the interoperability benefits, which include lower clearing fees and significant operational efficiencies. ■

FEY MARTIN / UNSPLASH

Making the case for European market harmonisation



**Contributed by
Niels Olsen,
CEO, VP Securities**

Over the past ten years, the European post-trade market and its participants have faced significant changes, which are gradually transforming business models and processes.

One of the key drivers behind these changes is the move towards a more integrated and harmonised European post-trade market - fuelled by common EU regulation and settlement systems. Within VP Securities' own business areas, the common regulation of CSDs, CSDR and the common EU settlement platform, T2S, are setting the scene.

And this is only the beginning. The European Central Bank (ECB) is planning a number of new initiatives that will have a major impact on the future capital market and post-trade area. The direction is clear: the EU, including the ECB, are striving towards further harmonisation and standardisation, as well as increased competition amongst market participants. In other words, a more efficient European capital market.

In conjunction with this harmonisation drive, there are a number of oth-

er macro trends impacting the financial markets. Negative interest rates are now the new normal, challenging existing business models and prompting banks to rethink traditional approaches. At the same time, banks dedicate financial and administrative resources to a wide range of compliance initiatives, brought on by a seemingly unceasing wave of regulatory requirements.

There are several ways to adapt to this changing market landscape. For some, it is a question of scalability, which leads to a trend of ongoing consolidation, e.g. where stock exchanges are merging and new alliances are being formed. As a result, the financial landscape and corresponding value chains are in a state of flux.

Harmonisation means more opportunities

In the wake of all of these changes and the unstoppable push towards harmonisation, we as market participants must adapt. Market harmonisation is inevitable, and it represents an opportunity for market growth that will benefit both Danish and European investors. From VPs perspective, being a part of this common European regime is a pathway to new business opportunities and a more efficient way of doing business. We have therefore chosen to play an active role in creating an attractive capital market for both issuers and investors – both nationally and internationally.

We must streamline the value chain

To make this happen, there is a need for harmonisation and streamlining of the entire value chain: from issuer to investor. The challenge is that current market conditions seem to be adding costs and complexity to the value chain.

As a CSD, a part of the market infrastructure, we have a responsibility to help remove these barriers to market harmonisation. We have to take a critical look at each link in the value chain and see how we can increase its effectiveness and value. We are also in a unique position to do so. The nature of our business means that we have the technology and infrastructure to be able to assume responsibility for services and functions across the value chain, with the goal of streamlining and optimising each link in the issuance process.

Our new strategy focuses on three specific areas: utility services, regulatory services and data information services. These three areas have been carefully selected in collaboration with the market to address the challenges outlined above.

In this way, we, together with our customers, can develop a more cost-effective operating model; one that addresses current and future challenges, capitalises on new business opportunities and creates value in a harmonised European post-trade market. ■





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The long and winding road

Brokerway



Contributed by
Per Nyquist, CEO,
Brokerway AB



FRITZ BIELMEIER / UNSPLASH

The Beatles song 'The Long and Winding Road' was written by Paul McCartney in Scotland in 1968 at a time when the band was starting to experience problems with collaboration and stopped communicating with each other. They recorded a demo during the 'White' album sessions, but the song wasn't released until the album the 'Let it be' from 1970.

It's a beautiful song but it's also sad and it somehow reflects the problems the Beatles were experiencing during those years. You may now wonder what 'The Long and Winding Road' has to do with Corporate Actions? It's the title of the song that makes me think of the journey that lies ahead of us. The implementation of new EU regulations such as Shareholders Rights Directive II (SRD II) is complicated to begin with. But placed in today's turbulent world of political and economic disorder I find myself wondering how the global securities market will be able to focus on such a relatively small

Whether it is a band playing or a market that administers Corporate Actions, order and clarity are required.

thing as agreeing on the interpretation of SRDII?

The Beatles split, but the members continued to create and produce fantastic music. All songs are well known around the world and shared with millions of listeners via all kinds of media channels. What can the Corporate Actions community learn from the story of The Beatles?

Whether it is a band playing or a market that administers Corporate Actions, order and clarity are required. There are certainly musicians who would not admit this fact. But it is an indisputable fact unless the only thing you want to produce is noise. Let me therefore try to summarize what I think is needed to achieve something that might sound like music when it comes to the administration of Corporate Actions:

- First, agree on an end date for ISO15022 and shift to ISO20022. The market isn't moving fast enough and is still investing in both standards. This is not only costly, it will also complicate the implementation of SRDII.
- Secondly, let Issuers or Issuer agents take greater responsibility for creating the true initial version of the event and secure data integrity with standard technical solutions that exist in e.g. the blockchain industry
- Finally, find smarter ways to

capture and cleanse data. Everyone captures data from market infrastructure and cleansing is all over the place. Producers of market data often wind up purchasing the very same data from a different vendor. It quite simply just goes round and round.

'Data is the new oil' I heard someone say. But who owns the data? I think we need to find smarter ways to reuse and share data. Everybody needs to take responsibility for their own data and customer relationships. The original golden copy will always be altered throughout the chain of intermediaries. Maybe the securities industry could borrow some ideas from both streaming services, like Spotify, and parts of the characteristics you find in the Blockchain technology. Via clear standards and open networks for trusted members, data could be shared and cleansed at same time. Maybe this is just a utopia. But looking back The Beatles music is still the best and still relevant in the modern context of digital channels and social networks. It's also possible to do this within the Corporate action industry. Let's start producing our version of 'Revolution' today. ■

Brokerway's system STX takes care of the complete workflow throughout corporate actions life cycle i.e. event capture, processing, reconciliation and messaging.

Corporate actions automation

The financial services sector is straining under the weight of a continuous stream of regulatory requirements, intended to reduce risks and losses, which demand significant investment. But there are treasures out there.

OLYMPIC
BANKING SYSTEM

by — **ERI**



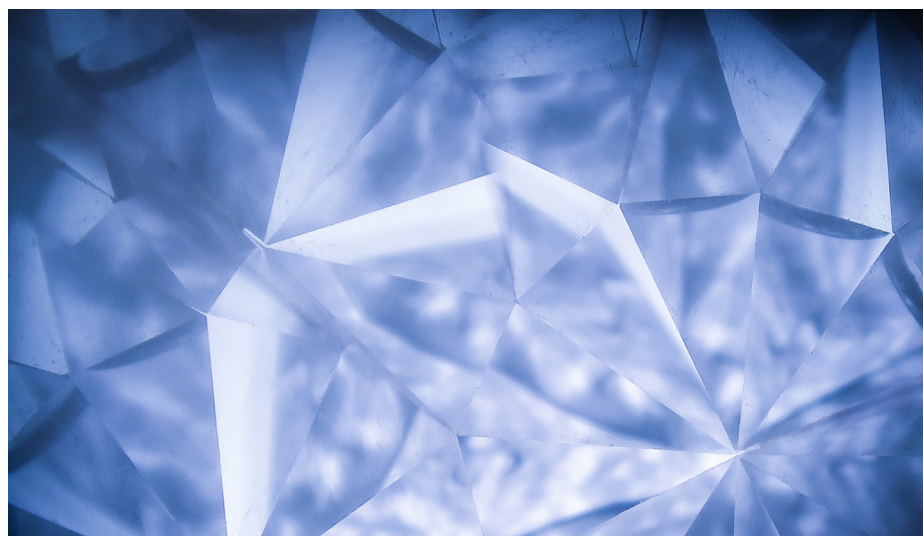
**Contributed by
Alan Goodrich,
ERI**

Traditional sources of income are either being squeezed or disappearing altogether. Sources of income, such as securities transaction processing and portfolio management fees, continue to come under downward pressure, as competition intensifies.

In order to remain competitive and grow their business, institutions need to find new ways to increase productivity and offer customers high-quality fee generating services, while managing costs and risks.

The Hidden Gem

There is a great deal of buzz in the market around Fintech solutions, digitalisation and changes to operating models, such as SaaS models, which aim to provide the answers to these challenges.



DANIELE LEVIS / UNSPLASH

No doubt, such innovations and initiatives offer interesting and exciting opportunities. But there are also hidden gems, with paths of potentially much lower friction and cost, which have the capacity to make a positive impact.

Corporate actions automation is one of these hidden gems, which should not be underestimated in importance, when it comes to initiatives that address the industry challenges and create business benefits.

Cutting the Gem

Efficient corporate actions automation relies on two fundamental components:

- A system with powerful, automated corporate action processing capability
- High quality, timely data in a standardised, readable format

The availability of high-quality corporate events information in a structured data format provides the oil to lubricate full processing automation. However, the availability of reliable, structured data and its automated injection into the process is not yet a given.

Institutions need to implement a powerful and dynamic corporate actions processing engine to administer to their custodian activities. They need to streamline and automate workflows in order to optimise how corporate actions are managed and provide advanced functions specific to the business, for example:

- The exchange of SWIFT messages with counterparties in full-STP mode;
- Management of default instructions for non-mandatory events;
- Automated management of over-subscriptions;
- Timely alerts when actions need to be taken;
- Management of any specific accounting requirements or restrictions with fully automated booking.

Polishing the Gem

Systems should automatically create corporate action events according to the criteria and conditions defined by the institution, as well as allowing the institution to easily navigate from the event administration to the corporate action itself.

– the hidden gem

Systems should offer flexibility when managing instructions, which could be client specific in the case of elective events. Indeed, it should be possible for default instructions to be defined for each type of voluntary event should instructions not be received by a given deadline.

Straight-Through-Processing should be customisable for every event:

- Allowing definition of the relevant data sources required for each type of event. These should then be associated automatically with the appropriate products and events;
- Generating the “golden” record used for the processing of a corporate event can be a resource-heavy manual task, which introduces the risk of errors and creates excessive costs. Data from the different sources needs to be automatically matched, with alerts and notifications of any discrepancies or

incomplete data, so that exceptions can be handled in a timely manner;

- Allowing definition of the desired level of automation. For example, more straightforward events could be defined as being highly automated. While, for more complex events, the institution may require some form of human intervention or oversight;
- Equally, alerts should be generated to notify the appropriate managers, either when instructions are missing for an event, or when a deadline is approaching for processing, so that appropriate actions can be taken.

Efficiency may also be increased significantly when communications with global and sub-custodians are fully automated, not only for events notification, but also for the management of instructions as well as the reconciliation of holdings.

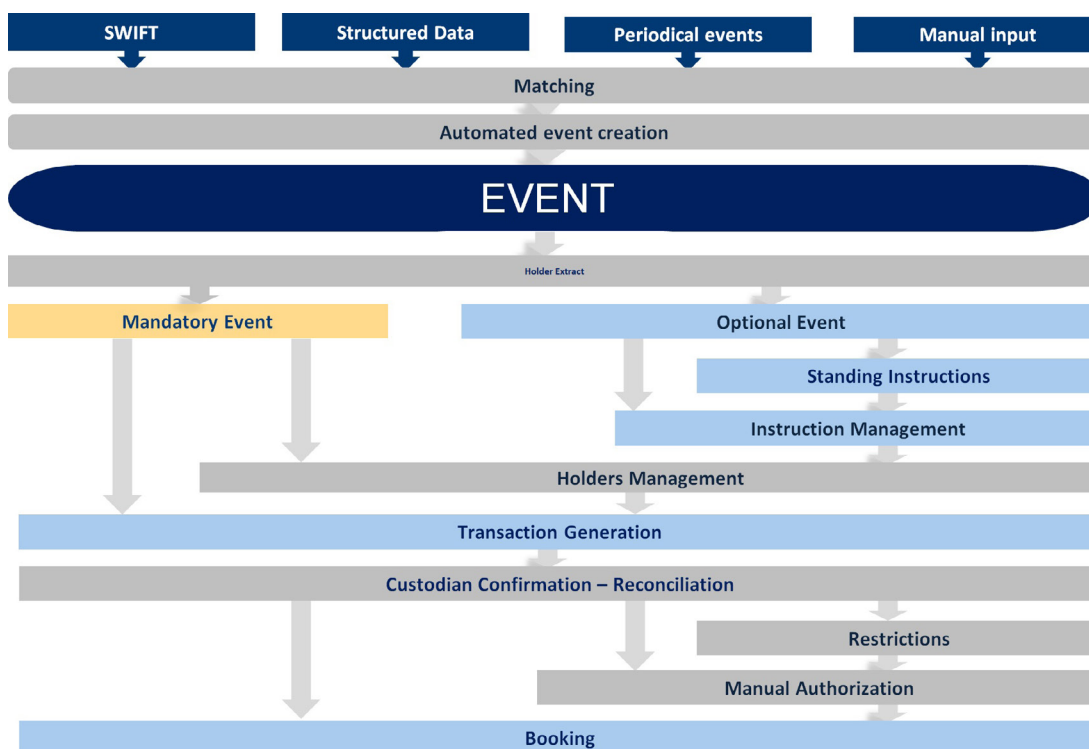
Valuing the Gem

Corporate actions automation, if done efficiently, can play an important role in addressing the industry challenges and creating business benefits:

- Reducing operational risks / processing errors / losses
- Enhancing staff productivity
- Reducing operating costs
- Improving customer service and satisfaction levels

When structured corporate action data is fed into a system with a powerful and dynamic corporate actions processing engine – the results can be truly impressive. ■

Alan Goodrich is Regional Sales Manager at ERI, supplier of the OLYMPIC Banking System, a solution offering award-winning levels of automation in custody management.



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