

POSTTRADE^{360°}

HELSINKI 2020

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And by the way, did we just save the world's markets?

Capital market crashes are spectacular, and the virus-induced one this spring was no exception. Then those markets ticked up again – in relative quiet, as is usual when they go up. Yet what may be most remarkable is the speed of the cycle rather than the amplitude. By summer, experts and public alike could look with surprise at the split economy: masses unemployed, our local shopkeepers and bar owners struggling – but stocks prices back near peak levels.

How could this be? Now, this is where post trade comes in. The big market fear in a crash is not that a single firm A goes down, but that it triggers dominos that take firms B, C and D with it as it cancels payments to suppliers, banks and investors. In 2008, the lack of transparency made it hard to predict who might fall with Lehman. This year, a combination of quick and massive credit commitments from the US and EU, together with ten years of structured resilience-building in the market infrastructure, seem to have taken a lot of drama out. Are the rising stocks and bonds perhaps not reflecting short-term business expectations, but rather a new level of long-term trust in the infrastructure's ability to stop dominos? If so, dear post-trade pro – thanks for your hard work lately.



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Find the
28 October
agenda on
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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 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. Recently, we have also started publishing **full-session videos** of presentations from our events, see next page.

2019 saw Amsterdam added as our fifth city for **yearly events** beside Stockholm, Copenhagen, Oslo and Helsinki. In June 2020 we added a yearly full-day **Web Summit** with 60 speakers, reaching 1,000 delegates. Going forward, our physical events, too, will offer web-based participation remotely.



This QR code 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.



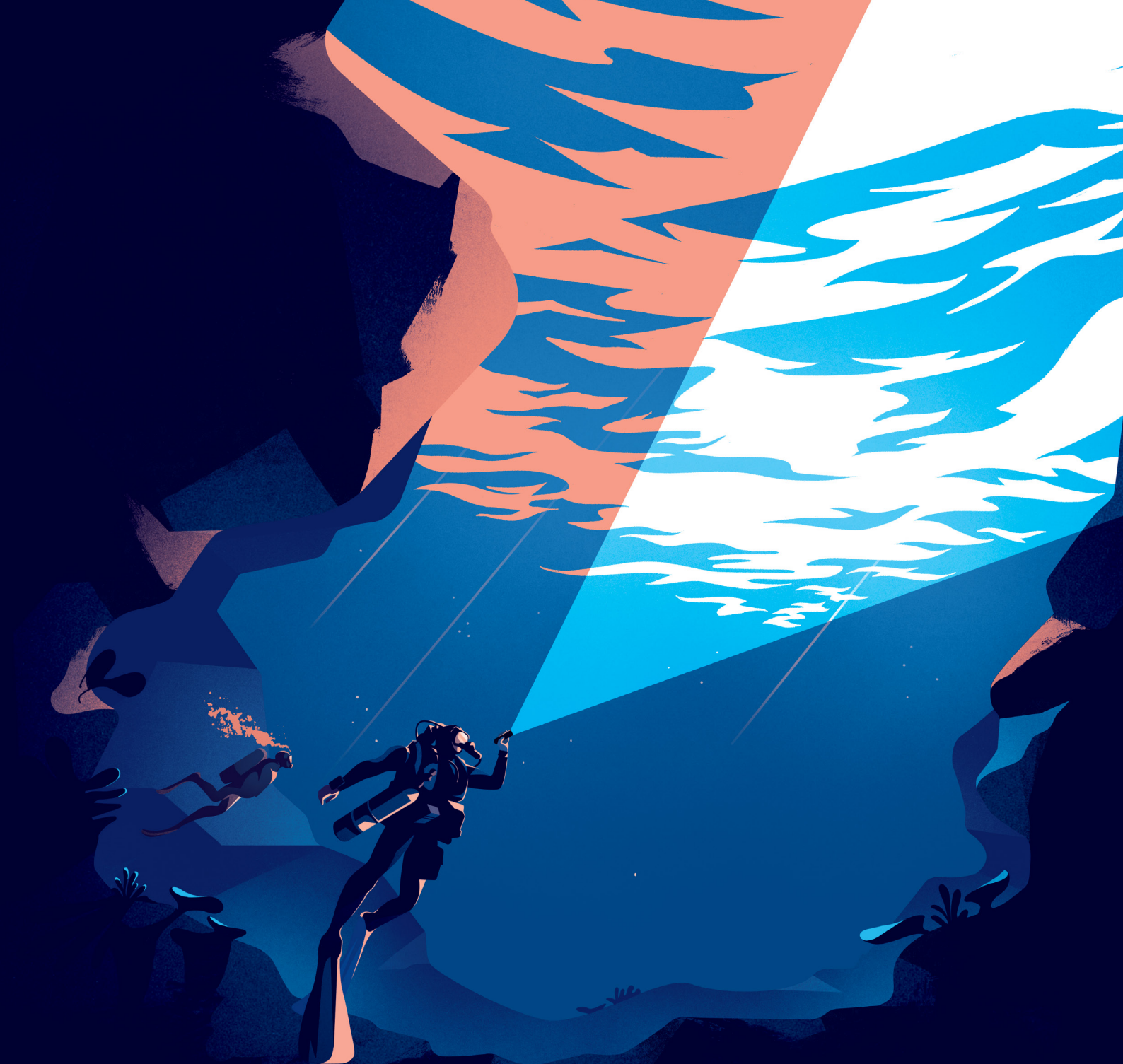
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Has the race-speed global production model come to the end of its road? The covid-19 crisis is leading many economists to radically reassess their macro outlooks, yet not all use as vivid imagery as SEB's Thomas Thygesen. View his full session at posttrade360.com.

Until the new **golden age** ... nevermind the mess

September's PostTrade 360° Copenhagen event saw SEB economist Thomas Thygesen line out a fundamentally optimistic view on the world economy's next decades. But first we have a crashed race car to pick up the pieces after.

By Alexander Kristofersson, PostTrade 360°

"I know this may be a bit of a departure from the consensus view," says Thomas Thygesen, head of X-asset Strategies at SEB Merchant Banking, speaking in the PostTrade 360° Copenhagen conference on 23 September.

Yet, while his forecasts of an economic paradigm change reach relatively far into details, he is not

"If we are lucky this is the 1940s. and the beginning of a golden age – where governments take the responsibility for building the infrastructure that companies need to fully benefit from all the technological opportunities we have," says Thomas Thygesen.



quite alone among economists in seeing the pandemic as a challenge against the complexity of today's economic models. His first presentation slide, with the crashed race car, lists a set of fragilities: complex supply chains, high debt, social inequality, climate disruption and broke governments.

Through a 16-slide exposé Thomas Thygesen goes through the curves that underpin his choice of the car metaphor. In 2021, the skies could begin to clear from a mid-term perspective, he predicts. Even so, it may be proving more and more difficult over time to "pretend", through government subsidy, that everybody is keeping their jobs and incomes.

Looking back at the 1940s

In the longer term, Thomas Thygesen discards the idea of just fixing what has broken – but paints a very positive view of the potential outcome if governments and investors place their bets wisely. Pure consumption stimulus is bound to fail, he is certain. To produce real benefits, rather than just inflationary pressure, resources must truly help to transform the supply side into what serves the world's future.

"If I had to draw a historical comparison it is not the 1970's or the great financial crisis. I think that if we are lucky this is the 1940s. and the beginning of a golden age – where governments take the responsibility for building the infrastructure that companies need to fully benefit from all the technological opportunities we have," says Thomas Thygesen (starting at the 22-minute mark in the video).

"So, what I would not like to see is underspending by governments. That's what we saw in Southern Europe ten years ago: governments that

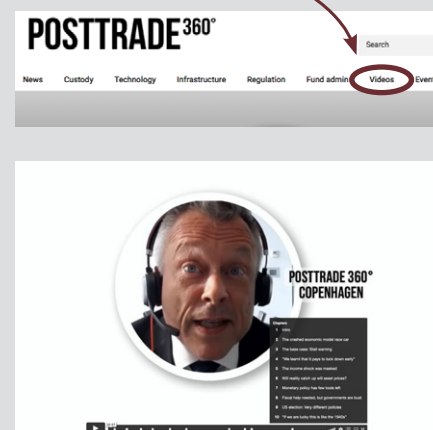
try to save their way out of a deflationary crisis, they don't get to save themselves like that. The only way is to do the desperate dash for reflation: print the money, spend it and let the economy get traction. But it is so important of course that what you spend is not just thrown out the window," he says.

"That is why we think it is so important that whatever you do, it is combined with a plan to fund green infrastructure as well; not just giving it to consumers but building a better future with it." ■

See our full videos here

See Thomas Thygesen's full video presentation – like many other conference presentations – on our news site at posttrade360.com. You find them via the Video entry in the top menu bar.

The video is indexed so you easily find the parts of it that interest you the most. A menu icon in the player bar lets you see the whole list of "chapters".





Nope, no physical attendance this year – but hopefully next.

Two days of post trade – Finnish and global

Event URL:

next.brella.io/events/PT360H

The conference is digital only, free of charge for securities operations professionals.

You may need Join Code: PT360H

WEDNESDAY 18 NOVEMBER

09:55 Chairman's Opening Remarks

Göran Fors, Deputy Head of Investor Services, SEB

10:00 OPENING KEYNOTE: What's next in Post Trade

Jennifer Robertson, Deputy Head of Unit Financial Markets Infrastructure, European Commission

Continues >

10:30 CASE STUDY: A successful strategic partnership - why and how

How can you turn a weakness into a strength by leveraging capabilities provided by some else? Successful strategic partnerships requires a well defined strategy and long term commitment.

Niklas Nyberg, Head of Institutional Global Custody, SEB

11:00 KEYNOTE: Leading the way with withholding tax procedures improvements

More than 10 years on from the Organisation for Economic Co-operation and Development's (OECD) work on Treaty Relief Compliance Enhancement (TRACE) which provided a model outlining a global solution to the challenges arising from cross border withholding tax relief, Finland is now working toward implementation of its version of the TRACE system, due to go live January 2021. This session will overview the TRACE model, discuss the implications of becoming a TRACE operator and why many other countries plus the EU Commission and OECD are closely monitoring Finland's TRACE project.

Lorraine White, Global Head of Custody Tax Capabilities, BNY Mellon

Pilar Espejo, Global Head of Tax and Policy Assurance, BNY Mellon

11:30 Lunch - Time to Network!

12:30 REGULATORY PANEL DEBATE: CSDR

Moderator: **Matthew Johnson**, Product Management & Industry Relations, DTCC

Panelists:

Garrett Browne, Head of Post Trade, Equities, Fixed Income and FX, Fidelity International

Alex Kronic, Head of Equities, LCH

David Daniell, Executive Director, Operations, UBS Investment Bank

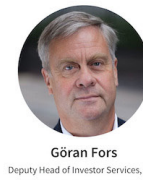
J.R. Bogan, Senior Product Manager, Investment Operations Outsourcing EMEA, Northern Trust

13:15 KEYNOTE: The future of general meetings

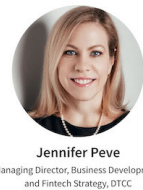
Anu Saarinen, Stakeholder Management, Innovations & Growth team, Euroclear Finland



Jennifer Robertson
Deputy Head of Unit Financial Markets
Infrastructure, European Commission



Göran Fors
Deputy Head of Investor Services, SEB



Jennifer Peve
Managing Director, Business Development
and Fintech Strategy, DTCC



Paula Avraamides
Director Nordic Region, Asset Servicing EMEA,
BNY Mellon



Hani Kablawi
Head of International and Chairman of EMEA,
BNY Mellon



Alan Goodrich
Regional Sales Manager, ERI



Janine Hofer-Wittwer
CPA, Senior Product Manager, Financial
Information, SIX



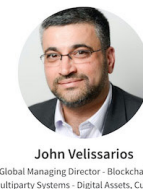
Philip Whitehurst
Head of Service Development, Rates, LCH



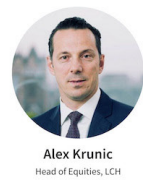
Joanne Donaghey
Director, Sales and Relationship Management,
LCH



Anu Saarinen
Stakeholder Management, Innovations &
Growth team, Euroclear Finland



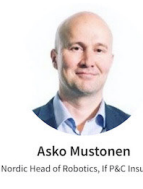
John Velissarios
Global Managing Director - Blockchain and
Multiparty Systems - Digital Assets, Custody &
CBCD Lead, Accenture



Alex Kronic
Head of Equities, LCH



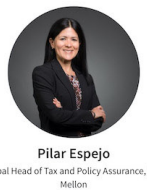
J.R. Bogan
Senior Product Manager, Investment
Operations Outsourcing EMEA, Northern Trust



Asko Mustonen
Nordic Head of Robotics, IF P&C Insurance



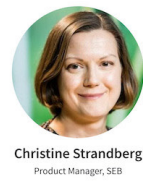
Anu Puttonen
Chief Business Officer, Euroclear Finland



Pilar Espejo
Global Head of Tax and Policy Assurance, BNY
Mellon



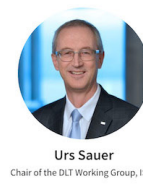
Lorraine White
Global Head of Custody Tax Capabilities, BNY
Mellon



Christine Strandberg
Product Manager, SEB



Niklas Nyberg
Head of Institutional Global Custody, SEB



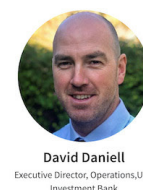
Urs Sauer
Chair of the DLT Working Group, ISSA



Michele Curtioni
Strategy, Product/Business Development,
Digital Assets, State Street



Matthew Johnson
Product Management & Industry Relations,
DTCC



David Daniell
Executive Director, Operations, UBS
Investment Bank



Garrett Browne
Head of Post Trade, Equities, Fixed Income
and FX, Fidelity International

Continues >



TAPLO HAALA / UNSPLASH

13:45 REGULATORY PANEL DEBATE: SRD

Moderator: **Göran Fors**, Deputy Head of Investor Services, SEB

Panelists:

Christine Strandberg, Product Manager, SEB

Anu Puttonen, Chief Business Officer, Euroclear Finland

14:15 Coffee – Time to Network!

14:45 Exploring Front to Back Collaborations

Join BNY Mellon and SimCorp as they discuss creating value for clients through collaborations within an open architecture environment.

Derrick Johns, Head of Front to Back Partnerships and Integrations, Asset Servicing, BNY Mellon

Igor Gramatkovski, Product Manager, Director, SimCorp

15:30 Coffee - Time to Network!

16:00 PANEL DEBATE: Trade execution, custody and operations for digital assets

Moderator: John Velissarios, Global Managing Director - Blockchain and Multiparty Systems - Digital Assets, Custody & CBDC Lead, Accenture

Panelists:

Michele Curtoni, Strategy, Product/Business Development, Digital Assets, State Street

Urs Sauer, Chair of the DLT Working Group, ISSA

16:30 KEYNOTE: DLT route towards T+0

Jennifer Peve, Managing Director, Business Development and Fintech Strategy, DTCC

17:00 Chairman's Closing Remarks & End of Day1

THURSDAY 19 NOVEMBER

10:25 Chairman's Opening Remarks Day 2

10:30 KEYNOTE: Benchmark Rate Reform: How are CCPs Supporting the Adoption of Alternative RFRs?

Philip Whitehurst, Head of Service Development, Rates, LCH

Joanne Donaghey, Director, Sales and Relationship Management, LCH

11:00 KEYNOTE: Regulatory ESG Data

Janine Hofer-Wittwer, CFA, Senior Product Manager, Financial Information, SIX

11:30 Lunch – Time to Network!

12:30 KEYNOTE: Standing still is already going backwards

Alan Goodrich, Regional Sales Manager, ERI

13:00 CASE STUDY: Software Robots in If P&C Insurance back office

Asko Mustonen, Nordic Head of Robotics, If P&C Insurance

13:30 What's in a Name? A conversation on inclusion and belonging

Paula Avraamides, Director Nordic Region, Asset Servicing EMEA, BNY Mellon

Hani Kablawi, Head of International and Chairman of EMEA, BNY Mellon

14:00 Chairman's Closing Remarks & End of Conference



His new robots will do 2 million tasks this year

Asko Mustonen, Nordic head of robotics at If P&C Insurance, will open the door on his robot factory in PostTrade 360° Helsinki and explain the basic ideas.

By putting employees across the corporation in the driving seat, rather than imposing top-down implementations for cost-savings, If has turned robotic process automation (RPA) into an everyday activity in just two years.

By Alexander Kristofersson, PostTrade 360°

“Our main focus with these tools is to improve customer experience and employee satisfaction. We don’t have a goal for reducing cost as such, although it is of course an important measure too,” says Asko Mustonen.

The work contribution by the robotic processes is continuously growing, this year reaching 2 million tasks. If humans would have carried out these robotic tasks, it would in recent months have required close to 60 full-time employees. The If group, all in

all, employs around 6,800 people.

So what is robotic process automation – and what is it not?

“The idea is that we don’t do any changes to the existing IT systems but the robots use the systems as humans would. This helps humans to concentrate on what they do best and not do the monotonous robotic tasks,” says Asko Mustonen.

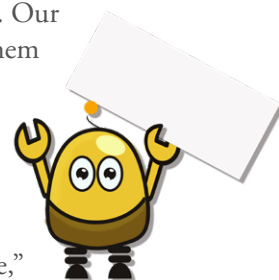
“Mainly we have released human power to do more meaningful tasks especially in the back office: things we would not have been able to do with other tools or that would have been extensively expensive to do.”

He stresses that an automation implementation is never a purpose in itself, but it is framed in a change project with a broader business-process view. One of the most central questions for each project is where the freed-up human capacity should instead be applied next, to make for real improvements.

Business managers decide

Having worked full time on the topic for the last three years, Asko Mustonen describes his corporate function as small.

“We help, and we train and support, every unit in If to understand how you can speed up automation with these new technologies. Then we build and maintain robots for different business units. Our robots – we call them digital workers – are part of the different teams that they work in, and they work together with people,” says Asko Mustonen.



His team has established a process to make sure ideas can be transformed into live implementations quickly and successfully, after the ideas are evaluated by certain criteria. Going forward, he sees opportunities for many more implementations – but that does not



True, If's "robots" are not actually physical, but software. Even so, Asko Mustonen uses human parallels a lot. Robots work as member of business teams, in collaboration with their people.

mean there is a long queue of projects waiting to get started. Building a robot takes 3–6 weeks, and Asko Mustonen sees no need for distant planning horizons.

Almost all implementation projects are managed by a person from the business where the robot will be working.

"Other companies could have CEO-driven goals that put thousands of people to develop robots with a 'now, do it'. We don't have that situation, we build this incrementally. We started, when we could still fly, by going to different countries, training hundreds of people," says Asko Mustonen, exemplifying that they could be from teams in customer services, claims services, different back end units or others.

They were mainly business developers and team leaders.

Cancellation robot makes changes in 5–6 systems

A consumer's insurance cancellation is a typical, but surprisingly complex, example of work that a robot can be put to do.

A Finnish consumer wants to cancel an insurance. That couldn't be too difficult for a robot to execute, could it?

You will be excused if you think along these lines – because it is actually how the people at If thought about it too, as their robotic journey was just starting a few years ago.

"We thought this would be an excellent case for RPA. It sounds like a straightforward project but it became one of our most complex ones. It involves five or six different systems, everything that is important for the customer. The insurance coverage needs to be correct, the invoicing needs to be correct and the customer needs to be informed. But eventually the robot does all of that, 7,000–10,000 times a month,

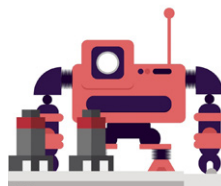
seven full time equivalents," says Asko Mustonen.

Already the old process included a digital front end, the "My pages" where the customer logs in and enters the cancellation task. And having that structured digital information is a good, actually necessary, starting point for an automation process. But previously, that information needed to be manually adapted and entered into a variety of other systems.

"Every cancellation meant that you had to cancel the policy in the backend system, then correct the invoicing. And then you send information to the customer that 'I have done this task that you have requested', and then you log it in the customer contact information."

While the automated process now takes care of 70–80 percent of the cases, the more complex ones are filtered out for employees to take care of – giving them more time to focus on these.

"This was to let them understand what this is about, why this would be a good idea and how this works – and then let them come up with their ideas of how robots could help their work," says Asko Mustonen.



These form a small local team, for which Asko Mustonen's central function then provides business training and support.

"Then it is us who make the

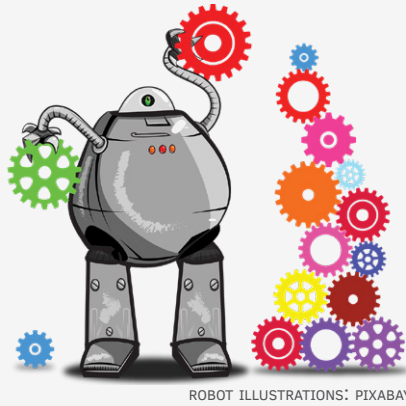
technical implementation. Our robot developers, who have IT background, work closely with the business project managers in a very agile manner and build the robot. Then we technically maintain them but the robot becomes a member of the business team. That's how it works – and then we celebrate that and build the next one," says Asko Mustonen.

"So, it has been an incremental development from one robot to another. Now we are in all countries and have dozens of robots working in different units." ■

RPA is among the simplest IT solutions

Simply put, the robot is a piece of software which connects with existing IT platforms to execute a task. This could include fetching a number in one system and paste it into another. While a company's long-term IT vision could be to integrate both systems tightly, robotic processes don't start systematically from the IT architecture so much as from the specific task.

When there is a something that you do many times, in a routine way that does not require human judgement as such, there are good chances that an automation effort could pay off in terms of saved time and less errors. Does your back-office process include any standardised routine ele-



ment that is repeated many times by employees?

"Most of the financial sector companies are in the middle of a huge transition, moving into one consolidated back-end system or

two – and that's fine, that's what we also encourage them to do. But those are long-lasting, expensive programs. Some have said that robotic process automation is more like a duct tape type of fix to problems. And that can be fine too, when you don't have time and money, or the business case, for doing the whole thing," says Asko Mustonen.

"Yeah, duct tape is not my favorite comparison," he chips in. "But the idea is that it can do the trick. So that's what we do and this year robots will be completing 2 million tasks every month.

Can inform the big IT shifts

While the core IT architecture is thus a whole different issue, Asko Mustonen suggests one could 'sync' the robotic development with it.

"If you know that for two years nothing will happen with the old system, and you have a reasonable volume, it makes sense to build a robot and run it over that time."

Further, the robotic process can collect metrics that make it possible to design better core IT systems when that day comes.

"The robot tells you exactly how this process works, and what is relevant and what not. Even professionals rarely realise this. In a lot of these huge transformations of back-end systems, the main bottleneck is the access to people who can tell you what requirements are important. When you have a robot that has worked on the process for a year or two, that tells you exactly what is important. It might tell you a completely different story than a person doing the tasks." ■

Don't confuse RPA with the other buzzwords

These days, we hear about many hot IT concepts and it can be easy to confuse them. In moving from monolithic legacy systems, many financial companies seek to combine different best-of-breed parts, which they connect through standardized application programming interfaces, **APIs**.

Increasingly, these systems are provided as services across the internet, "in **the cloud**". While these cloud and API integrations can seem like lightweight in comparison to old systems, they are still a more ambitious route than a robotic processing implementation.

Another often-heard term

today is **artificial intelligence**, AI, including **machine learning**. This applies to the improving capability in software to interpret data, and handle it accordingly, depending on its context. This can support translation of speech into text, for example, or make it possible to feed a data flow such as accounting with pdf files of unspecified structures.

Compared with these solutions, robotic process automation typically limits itself to data which is already structured enough to be handled without variation or ambiguity. This makes a radical difference to the need for software complexity.

Decades in agony, then SEB gets custody right

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.



“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



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 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 to see their bank unable to discuss securities handling in detail with its corporate and institutional clients.

"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."

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 assets, was pitched against the full scope. But the bank's top management kept trusting its custody people, and stayed

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

Göran Fors

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
- 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

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



Official institutions lead the Covid-19 **recovery** charge



BNP PARIBAS

**Contributed by
Christian Oger, Florence
Lubineau, Laurent Libiszewski,
Michael Saunders, Natalia Floate
and Vera Delvoye**

Official institutions – including central banks and supranational bodies - have been tested by the Covid-19 pandemic and the market consensus is that they have been instrumental in mitigating market disruption. As economies work out how to adapt to a post-lockdown Covid-19 world, major public bodies such as, for Europe, the European Investment Bank (EIB), the European Commission (EC) and the European Stability Mechanism (ESM) are likely to play a major role in the economic recovery process. BNP Paribas Securities Services examines how official institutions are expected to support economic growth in the new normal. ➤

A massive monetary policy response

The intervention by the European Central Bank (ECB) to mitigate the economic damage caused by Covid-19 has been extraordinarily powerful. In addition to pumping vast amounts of liquidity into a number of eurozone banks, announcing an interim lowering of bank capital requirements and postponing EU-wide stress tests until 2021, the ECB has introduced a temporary easing of its collateral measures (i.e. reduced haircuts, widening the scope of acceptable bonds and loans) to help banks continue to provide liquidity and credit. The ECB also strengthened its quantitative easing (QE) programme through the Pandemic Emergency Purchase Programme (PEPP), which now totals €1.35 trillion, a scheme expected to last until at least the end of June 2021.

The ECB has demonstrated increased flexibility and some risk tolerance over the last four months. Most notably, it included Greek government bonds in its bond-buying list and scrapped a self-imposed limit on holding more than 33% of any one country's bonds. The ECB also expanded the range of eligible assets and maturities by incorporating non-financial commercial paper and government bills into its QE programme.

Although the ECB and the Federal Reserve have reacted quickly to the Covid-19 crisis, their responses have diverged at times, owing mostly to the structural differences between both markets. Whereas banks in Europe have traditionally been the providers of corporate financing, funding in the US is typically procured through capital markets. This explains why the ECB provided ample liquidity to the banks whereas the Federal Reserve set up a panoply of primary and secondary corporate purchases, going beyond

the initial purchases via indices such as exchange traded funds.

The nuances between the Federal Reserve and ECB's responses are also a consequence of both markets being at different stages of the economic cycle at the start of the crisis. The Federal Reserve, for instance, reduced interest rates to 0%-0.25%, unlike the ECB whose rates were already set at zero. Another discrepancy between the two central banks is that the ECB has publicly disclosed how much it intends to purchase as part of the PEPP initiative, in contrast to the Federal Reserve, which has opted instead to conduct an open-ended asset purchase programme.

Covid-19: a catalyst for social bond issuance

As markets stabilise, there is now a growing pressure on central banks worldwide to ensure that corporate QE should be reserved to sectors making tangible improvements on ESG (environment, social, governance). Admittedly, this may prove difficult in some cases, especially as a number of bond buying programmes do not allow central banks to discriminate against particular industries.

"As markets stabilise, there is now a growing pressure on central banks worldwide to ensure that corporate QE should be reserved to sectors making tangible improvements on ESG (environment, social, governance)."

However, there are a number of reasons to be optimistic about the future trajectory of ESG. Firstly, central banks globally appear to be adopting a co-ordinated, structured approach in the fight against climate change through consortiums such as the Network for Greening the Financial System (NGFS), a body which has continued to balloon in size since inception. Similarly, there has also been a notable spike in demand for social bonds amid the crisis. Social bonds now account for 28% of the total sustainable bond market, with issuances climbing to \$33.1 billion during the first four months of 2020 – a trend which is being driven overwhelmingly by supranational bodies and agencies. In contrast, social bonds comprised just 5% - or \$14 billion - of the sustainable bond market last year.¹

Use of proceeds from many of these social bond issuances are being funnelled into initiatives designed to mitigate the impact of Covid-19. High-profile issuances include the International Financing Corporation's \$1 billion, 3-year social bond designed to fund Covid-19 relief measures; the African Development Bank's \$3 billion, 3-year Fight Covid-19 Social Bond aimed at providing support and financing to African countries and businesses; the EIB's €1 billion, 8-year and €1 billion, 10-year Sustainability Awareness Bonds; and Nordic Investment Bank's €1 billion, 3-year Inaugural Response Bond, which will attempt to alleviate the social and economic consequences of the Covid-19 pandemic. Nearly all of these transactions follow the ICMA (International Capital Markets Association) Social Bond Principles, a set of guidelines promoting transparency in the social bond market.

¹ BNP Paribas CIB

Social bonds have exploded in size and popularity, with \$57 billion issuance in 2020 YTD vs 9 billion during the same period last year. Green bonds represent \$93 billion YTD, suggesting that interest in these products remains very healthy although a little behind the 2019 YTD issuance at \$111 billion. Sustainability-linked bond issuance activity is also projected to rise off in the footsteps of the Sustainability-linked loans which have seen an exponential growth since they appeared only a couple of years ago. The ICMA Sustainability-Linked Bond Principles should help pave the way for the development of this new market. Global regulation promoting ESG is also expected to support more issuance. The EU, for instance, is pushing ahead with its Sustainable Finance Action Plan, a policy intended to help steer private and public funding into ESG investments. Other core markets are now following suit.

Securities lending and repo: an enticing opportunity for official institutions

Cash injections by central banks have been critical in stabilising the repo market, especially during the early stages of the Covid-19 disruption when investors were struggling to manage their liquidity risk. This rapid intervention by central banks ultimately freed up financial institutions' credit lines allowing for cash to be deployed in the repo market. This decisive action is widely considered to have prevented a severe drought in credit markets from materialising. The insatiable demand for High Quality Liquid Assets (HQLA) and the use of those assets to generate incremental revenue in a risk-controlled programme have always been present in the market. The volatility over the past several months has reinforced

the notion that central banks have an opportunity to earn increased returns while adding liquidity to capital markets through the adoption of securities lending programmes.

There are also revenue opportunities available as a result of incoming OTC derivatives regulation in the US, EU and APAC. Having implemented mandatory clearing of vanilla OTCs

"Not all financial institutions will have suitable collateral available in their inventories, so they will have to source it from elsewhere."

through CCPs, global regulators are pushing ahead with reforms that will require counterparties to bilateral OTC transactions to post initial and variation margin on their trades. Although the rules have been delayed by one year due to Covid-19, trading counterparties will still need to obtain acceptable collateral to post as margin. Not all financial institutions will have suitable collateral available in their inventories, so they will have to source it from elsewhere. Official institutions – a number of whom are sitting on massive liquid cash reserves or high quality financial instruments – may be tempted to on-lend some of their securities to OTC market participants who will use them for margining purposes.

As a leading, global provider, BNP Paribas Securities Services is in a strong position to support clients' securities lending requirements by providing global and local coverage in more than 30 countries for a wide range of asset classes and using differ-

ent types of collateral. It offers various routes to market including both principal and agency lending services, while clients can simultaneously access the bank's industry-leading Global Markets and CIB facilities. The breadth of services enables participants to be well positioned to maximise revenue opportunities while minimising market exposure. Coupled with its robust asset safety measures and commitment to risk management, BNP Paribas Securities Services can provide an optimum securities lending solution to official institutions.

Reassessing priorities post-Covid-19

Covid-19 is a crisis like no other. Official institutions – including central banks – will be vital in shaping the world's recovery moving forward. From short-term monetary intervention as a means to shore up liquidity to longer-term initiatives focusing on ESG bond issuance, official institutions are helping to salvage the global economy. ■

With thanks to the following BNP Paribas contributors:

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Next, it takes innovation

Although markets may have calmed down following the extraordinary volatility in March/April 2020, financial institutions are bracing themselves for further Covid-19-induced uncertainty and stress. Low interest rates along with unpredictable asset price gyrations are playing havoc on return generation at banks, asset managers and investors.

If organisations are to withstand this ongoing crisis, they need to engage with post-trade service providers who are not only robust but innovative.



**Contributed by
Brendon Bambury**

Central to the Swiss Stock Exchange's ethos is a desire to innovate and provide leading solutions to solve real-world client problems. As the seriousness of the pandemic became increasingly obvious, financial institutions scrambled to access repo markets in order to obtain high quality liquid assets (HQLA) enabling them to meet collateral calls and facilitate redemption requests as in the case of asset managers. The entities which implemented automation and operational efficiencies into

their collateral management activities – either internally or through leveraging platforms such as the Swiss Stock Exchange's Future Tri-Party Agent (FTPA) service - have largely weathered the volatility.

Longer-term, institutions – including wealth managers and private banks - will likely struggle to deliver alpha. In order to safeguard client assets amid the revenue uncertainty, institutions will need to identify operational savings so as to maximise performance. One way this can be done is through tax optimisation. However, a number of institutions are reliant on antiquated technologies and manual intervention when performing tax optimisation functions, which can be disadvantageous for clients insofar as they may not benefit from the tax relief they are entitled to. Tax optimisation can have a material impact on portfolio performance, so it is essential organisations take it seriously. In response, the Swiss Stock Exchange has developed a new



Advanced Tax Service (ATS) which provides financial institutions with tax reclaim support, helping them to deliver further value for their clients.

Evolving with the times

Digitalisation has been a recurrent theme in post-trade circles as custodians and market infrastructures look for ways to remain relevant in this rapidly evolving environment. The Swiss Stock Exchange fully recognises that markets are undergoing an unprecedented transformation, which is why it has created the SIX Digital Exchange (SDX), a fully integrated issuance, trading, settlement and custody infrastructure for digital assets. Nonethe-



“Most critically, organisations need to be technology agnostic when developing new products.”

less, financial institutions do need to be pragmatic and realistic in how they implement these ambitious technology change programmes.

Most critically, organisations need to be technology agnostic when developing new products. Although SDX is leveraging R3’s Corda Enter-

prise Blockchain solution to facilitate trade settlements, it is also using commoditised technology sourced from NASDAQ, which is not Blockchain-enabled. This is because there is limited point in building an exchange platform on a Blockchain.

While Blockchain has many applications and use cases, organisations need to be sensible in how they deploy it. If existing technologies can solve commercial problems or deliver business-wide efficiencies, then firms should look to make use of those solutions instead. ■

Brendon Bambury is a specialist in strategic business development and client relationship management. In his position as Head of Post Trade Sales for the UK and Nordics, since June 2017, he is responsible for sales and relationship management. Brendon was initially appointed as a senior sales manager, during which time he strengthened the core services of SIX in UK and international markets. In addition to managing a portfolio of key clients, he is responsible for all of the activities of the Post Trade Sales team based in the UK and the Nordics.

Find your future faster

– with this post-trade map

Get ready for the future, whichever way it goes, by discussing these four alternative directions with your colleagues – and by watching out for the early indications of either. Dutch post-trade association DACSI, with chairman **Henk Brink**, wants to see us all better prepared.

By Alexander Kristofersson,
PostTrade 360°



“Whichever scenario becomes reality, it will impact your profit-and-loss, your product lines and your innovation budgets,” says Henk Brink.

Will technological innovation speed up or lag? And how fast will the EU financial market move towards integration on the back of political willingness?

A fresh 37-page scenario white paper, from Dutch securities-industry association DACSI, posts these two questions as the most decisive uncertainties that will be shaping our near future.

“So we came to these four plausible scenarios, to illustrate what the European post-trade sector might look like in the next five to 10 years,” says Henk Brink, chipping in a reflection:

“I’ve been in this industry for almost 40 years, and five to ten years is not a very long period. Things take a long time in post trade.”

“Whichever scenario becomes reality, it will impact your profit-and-loss, your product lines and your innovation budgets,” says Henk Brink, urging industry professionals to take stock of the different possible future outcomes. He emphasizes that reality will not jump up looking exactly like one of the scenarios in the box, but that it will show a mix of features from several – to higher or lesser degrees.

“Use the early warning signals, because the scenarios are not set in stone.”

Overwhelmed by the input

This interview was made just before Henk Brink would present his organization’s scenario-planning efforts with the PostTrade 360° Amsterdam 2020

conference (28 October). Half a year of investigation and analysis, by a task force of five experts including himself, has boiled down to the 37 pages– and a set of slides.

“The problem was not any lack of data and information – but that the data and information, and the underlying reports and desk research, were overwhelming,” says Henk Brink.

“There were so many studies and papers and strategy issues. We had to make a selection to come up with a focused document. We could have written a report of 300 pages but we said, well, nobody’s going to read that much.”

People in finance are familiar with forecasting, often to generate a single number for the value of an asset. But

the mindset in scenario planning is different, and for many, it takes a little practice getting used to. Scenarios are not about valuations, but about a preparedness for quick and coordinated action whichever way the major uncertainties turn out. Henk Brink calls them “what-ifs”.

“We hired a consultant with a profound knowledge of scenario analysis, and with knowledge of the ecosystem. He helped us tremendously in the

method of scenario analysis – explaining what it is but also what it is not: it is not a prediction of the future.”

Tech will drive – but which way?

Some trends can be expected with more certainty, showing effects in either of the scenarios.

“Technology will change the world as we know it, and waves of consolidation among the current market participants is also something we see in

all scenarios – though not in the same way in all of them,” says Henk Brink.

“Existing actors will continue to work with fintechs to, at least incrementally, innovate post trade. And we will see a continued interest in harmonization and standardization. We’ve come a long way, but we still have a long way to go.” ■

To receive the report, send a mail to secretariat@dacsi.nl.

Two axes makes four boxes

DACSI’s new scenario whitepaper sketches four alternative scenarios for Europe’s securities post-trade sector in a five-to-ten-year perspective. It discusses the implications that each of these could have on CCPs, CSDs, custodians and other actors in the field.

According to the analysis, the outcome will depend on two dominant uncertainties:

1. The degree of political willingness to cooperate. This determines the level of regulatory integration of European financial markets, including oversight and barriers.

2. The degree of technological innovation. The speed at which new and existing technologies will accelerate change in post-trade solutions and services.

With either of the two variables moving either back or forward, it makes for four combinations – four qualitatively different futures. If the movement towards market integration would halt or reverse, we are up either for a “great reversal” or a landscape of “regional giants”.

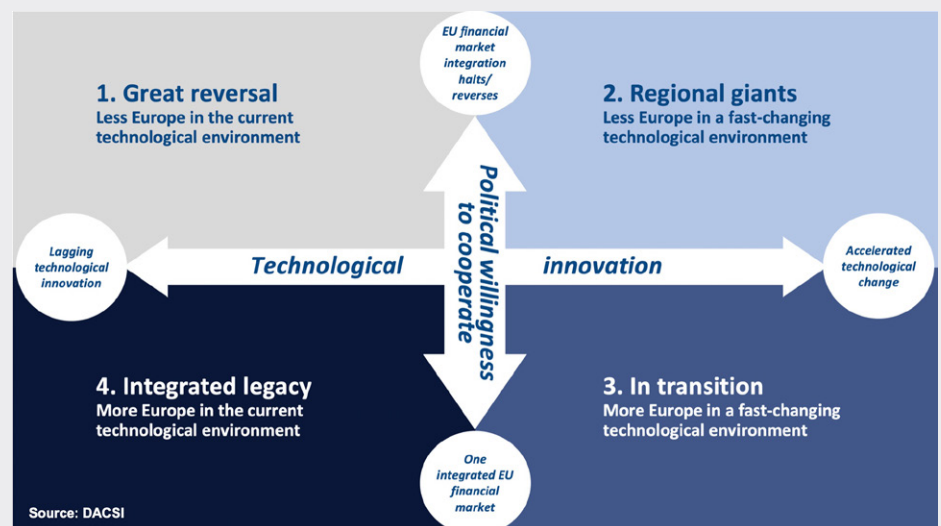
If, on the other hand, the EU could actually create an integrated

financial market, we would enter either an “integrated legacy” scenario or an existence “in transition”.

In the DACSI report, each of these are accompanied not only by closer descriptions and lists of the impacts they would have on post-trade actors. There are also lists of the early-warning signs that ought to trigger closer planning or action. For example, the list of possible early indications of the “In transition” case (a technologically fast-changing, and financially integrated, market) includes, among other points ...

- EU adoption of regulation for tokenised assets,
- an agreement on convergence of securities laws, agreements on tax withholding procedures, or
- the event that a FinTech/BigTech launches an app that integrates pre- and post-trade into a user-friendly solution.

With this as inspiration, your organization could take the next step: to identify what would be the consequences for you, and what indicators you should look out for to know when you should trigger alternative activities.



Back to the future 4.0 – a digital journey

The banking and financial services sector is buzzing with digital transformation noise, making it challenging for institutions to distil out what is required for their businesses to not only survive but, more importantly, thrive going forward.



**Contributed by
Alan Goodrich,
ERI**

Within this sector, the post-trade world of securities settlement and clearing is dependent upon the flows of business generated through managing and growing wealth through investments in securities and funds. The participants and stakeholders in this value chain were already facing significant challenges, even before COVID-19, all of which contain some digital transformation twist to them, including:

- Cost effectively addressing an ever-increasing burden of regulatory compliance and corporate governance;
- Achieving operational efficiency in the face of more complex instruments, products and services, as

well as enhanced client interactions across digital channels;

- Establishing new sources of revenue replacing the evaporating streams of transaction fees and interest income, while embracing the shift towards advisory and performance-based fees;

• Adapting to the shift in customer demographics and behaviour. As Gen X and Y (Millennials) will inherit an estimated €8 trillion euros from their baby boomer parents over the next 5 to 10 years, their focus will move from a purely financial purpose towards a more holistic life-planning approach that includes; impact investing, education and healthcare, as well as possibly restructuring existing debt in tax efficient ways;

- Tackling the competition, presented by; GAFAs, their Chinese

and Japanese counterparts, and other non-banking challengers, that are making ever-deeper inroads into financial services.

Despite the financial crises making a dent in consumer confidence, the established banking and financial services institutions still have the advantage in brand trust, for now, over the neo-players. The key to avoiding becoming disenfranchised is to re-establish, or reinforce, the cradle-to-grave style of trusted relationship that has been the bedrock upon which the industry was built.

Money's gone

For Baby Boomers, the bank was a trusted advisor and custodian of physical assets, i.e. cash and securities. However, both cash and securities have become dematerialised, or digital, and their safe custody is about to become an entirely commoditised service on distributed ledger technology (DLT) and blockchains. Therefore, for banks and financial services providers to continue to enjoy profitable, long-lasting, relationships with Gen X and Y (Millennials), as well as their Gen Z and Alpha Gen children, reinventing

“The key to avoiding becoming disenfranchised is to re-establish, or reinforce, the cradle-to-grave style of trusted relationship that has been the bedrock upon which the industry was built.”

and recreating this trusted status is the only option.

Fortunately, times have changed. The younger generations are far more comfortable with new technology and the digital delivery of products and services. A phenomenon that should be in the industry's favour. If established institutions were to attempt to re-build a trusted relationship using the traditional one-to-one, human-to-human paradigm, then the operational expense would be simply too great. However, the behavioural characteristics of the newer generations, provides these institutions with the opportunity to leverage their trusted brands and use new digital technology to cost effectively achieve the equivalent one-to-one customer experience and personalised service that their parents and grandparents valued.

So, whether a financial institution is adopting a strategy of organic business transformation, or creating a green-field entity to fast-track itself into the new digital age, at the core of the ability to transform will be the use of technology. A core platform that embraces open banking and fintech-ready APIs, which allows seamless, agile integration of the latest expert systems is key. For example, enabling the combination of the institutions own data with external big-data sources and an AI engine to derive life-event and propensity scores that allow hyper-personalisation of products and services. Equally critical are; award-winning levels of front-to-back process automation and platform agnostic technology that permit flexible deployment models, e.g. on premise or in a cloud-based SaaS model. Last, but not

least, in importance is that the supplier has credibility, in terms of depth of experience and expertise, as well as a track record of successful implementations.

For the digital journey to achieve its objectives, a return to the values of the past using the latest new technology innovations, holds the key to making a successful leap into the future. As the quote from the movie goes, "Roads? Where we're going we don't need roads!" But, we will need trust built on digital foundations. ■

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



DELOREAN RENTALS / UNSPLASH



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Past 2020's uncertainty – a **bright** future

Markets have calmed but the economic outlook still looks bleak. EuroCCP lines out the advantages it sees in becoming part of the Cboe group – against a turbulent backdrop.



Contributed by EuroCCP

2020 has been a hugely challenging year for European financial markets. At the beginning of the year few could have foreseen, let alone adequately prepare for, the onset and impact of a global

pandemic. While markets have calmed following the wild volatility and market gyrations seen in March, largely due to the unprecedented actions of central banks designed to soften the worst impacts of the coronavirus, the economic outlook still looks bleak. And while we now know that the UK has left the EU, the terms of its future relationship with its biggest market is unclear. Financial services firms will only be able to continue to access EU markets if the UK is given regulatory equivalence, an outcome which

is looking increasingly unlikely. Until this issue is resolved – a final decision on equivalence might not be made until next year – firms will need to navigate their way around a complex mishmash of national regulations, causing even more uncertainty and hindering the growth prospects for the sector as a whole.

Acquisition done

Despite this difficult operating environment, in July we announced the completion of the acquisition of

EuroCCP by Cboe Global Markets, one of the world's largest exchange holding companies. This followed a strategic review initiated by EuroCCP in 2019 which focused on seeking new opportunities to diversify and grow our business. In December 2019 Cboe made an offer to buy 100% of EuroCCP's stock.

Worked long for open access

There are numerous natural synergies between both companies as they have long championed competition, open access and clearing interoperability in Europe. EuroCCP currently clears trades for 37 trading venues, which represent close to 95 percent of all equity trades executed on organised markets in Europe.

Looking ahead, an important area of collaboration for the firms will be the development of derivatives trading and clearing capabilities in the region. It was recently announced that Cboe plans to launch Cboe Europe Derivatives in the first half of 2021, subject to regulatory approvals. This Amsterdam-based market is expected to initially offer trading in equity futures and options based on six Cboe Europe Indices: the Cboe Eurozone 50, Cboe UK 100, Cboe Netherlands 25, Cboe Switzerland 20, Cboe Germany 30, and Cboe France 40. In addition, Cboe plans to add futures and options on additional European benchmarks at a later date, based on customer

"The various ETF initiatives that we have undertaken in the last 18 months are expected to gain significant momentum in 2021"



Cécile Nagel is CEO of EuroCCP.

demand. EuroCCP will provide clearing services for the platform, subject to regulatory approval.

ETFs gaining speed

Furthermore, the various ETF initiatives that we have undertaken in the last 18 months are expected to gain significant momentum in 2021. We continue to discuss with market participants opportunities to expand our ETF clearing capabilities, including further OTC RFQ connectivity. We also have plans for a new service for primary market clearing of ETFs – which will be the first of its kind in Europe – to go live later this year. Our aim is to help create efficiencies and support the growth of the European ETF market – in line with what is already happening in the US.

A new chapter

We firmly believe that the completion of the transaction with Cboe has positioned EuroCCP to continue our

"We see many opportunities to collaborate with Cboe to expand our product offering, not just in ETFs."

long-term success and marked the beginning of the next chapter for our business in Europe. In addition to building out our derivatives clearing services, we see many opportunities to collaborate with Cboe to expand our product offering, not just in ETFs but in other asset classes too, as well as to become the region's leading advocate of open access and competitive clearing. With our shared values and focus on innovation and client service, we will do even more to develop capital markets in Europe. ■

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