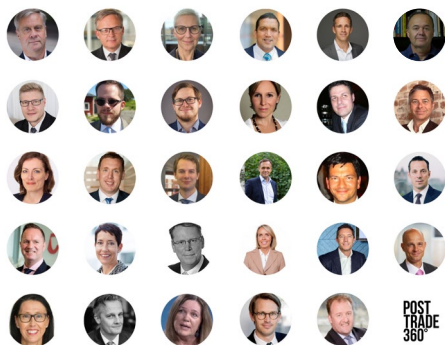


POSTTRADE^{360°}

HELSINKI 2021

Don't miss
these speakers!



Find your agenda
for 17–18 November
on pages 3–5

The road to sustainable

9 pages on post trade's role in ESG

14–22

PHOTO: PULKKILANTIE, BY TANELI LAHTINEN / UNSPLASH

CUSTODY SEB on putting algos to handle those awkward alternatives **6** • BNP Paribas on restyling the intermediary **9** • BNY Mellon on the asset value of zeros and ones **12**
POST TRADE'S ROLE IN ESG Euroclear on how to scale sustainable finance **14** • SIX on how to make friends with ESG reporting requirements **16** • Euronext on how to enter ESG issuance **19** • ERI on the tech it takes to go green **22** **CLEARING** EuroCCP on the reasons to prefer preferred clearing **23** • Eurex on why your optimising will never be done **25** • SIX on flooded CCPs **26** **TECHNOLOGY** SimCorp on how to boost buy-side innovation **28**

Poor bankers

Finance industry professionals are rarely showered with love by the public and political decision makers – and if you enjoy the salary of the New York investment banker that people so often see as the model, you might still afford to feel cool about the situation. The trouble, though, is that finance means so much more than this to society. And when politicians treat the finance sector with neglect – whether for fear of touch or lack of knowledge – it can hit back on the efficiency of the economy, too.

This mandatory buy-ins thing under CSDR that is scheduled by the EU for 1 February – despite heavy industry criticism and unclear indications of a possible postponement or amendment – is currently showcasing political incompetence at its most idiotic. Market participants point this out in diplomatic language which is strong by its own standards; “urgent” being the favourite word. If I wasn’t a respectability-seeking editor, I would personally lean more towards “d***heads”. (Feels good to be in Finland, by the way, I trust that I can be forgiven.)

I wish I was competent to weigh in on the regulation as such, but I don’t. I just react against the fact that responsible decision makers don’t stand up and clarify what will happen and why they want it. Who could name one European politician who is devoted on the issue? With a bit over two months to go, market institutions are busy doubling down on preparations that may soon turn out to have been complete waste.

PostTrade 360° Helsinki 2021 will capture the post trade landscape at a point when technology and process efficiency are strongly moving back into focus, after the decade and more of heavy regulatory efforts. The structural squeeze continues on asset managers and service providers alike, with increasing consolidation as result. So how should we navigate all this – together with all the innovation in digital assets, ESG and you name it? Take guidance from our 15 sessions, and the meetings you can have with your colleagues at Pörssitalo on Wednesday and Thursday ... as well as the many interesting articles from our sponsors in this magazine.



Alexander Kristofersson

Editor of PostTrade 360°
news@posttrade360.com
+46-73-947 11 95

Find the
17–18 November
agenda on
pages 3–5



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 took a next step. We seek to provide 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 currently free, both on our web page and through our **weekly newsletter**, at posttrade360.com.

Under the covid-19 challenge in 2020, we launched **web-based conferences** – leading us to also publish **full-session videos** of presentations from our events. Our digital debut was our June 2020 full-day Web Summit, which gathered 60 speakers and 1,000 delegates.

Amsterdam was added in 2019 as our fifth city for **yearly events** beside Stockholm, Copenhagen, Oslo and Helsinki.

[This link](#) leads to our **LinkedIn flow**. Please click Follow – and 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.



Head of PostTrade 360°

Daniele Truini

daniele.truini@360fmg.com
+46-72-243 41 73



Commercial relations

Kim Ersson

kim.ersson@360fmg.com
+46-70-149 53 31

Layout: Ingela Hallonquist, Alexander Kristofersson

PostTrade 360° is a brand of Financial Media Group 360 AB.
Publisher: Daniele Truini



Back at Pörssi

PostTrade 360° Helsinki is hybrid physical/digital, with an agenda that features 29 speakers through 15 sessions

WEDNESDAY 17 NOVEMBER

08:55 Moderator's opening remarks

Göran Fors, Deputy Head of Investor Services, SEB

09:00 OPENING SESSION: Post Trade Juke Box Jury

- Rediscovering the painful process of strategic decision making
- Beware of the Emperor's new clothes
- Hits and misses

Alan Cameron, Head of Client Line Advisory, BNP Paribas Securities Services

09:30 CASE STUDY: A successful strategic partnership – Part 2 : Monitor and govern

Successful strategic partnerships requires a well-structured monitoring. How is SEB performing a thorough and diligent monitoring? What does the regulator and overseer say?

Moderator: **Niklas Nyberg**, Head of Institutional Global Custody, SEB

Catharina Buresten, Head of Risk Management, Investor Services, SEB

Susanne Öhrn, Information Security & Cyber Risk Manager, SEB

Martin Axelsson, Senior Legal Counsel, SEB

Continues >

Tickets and general event info: posttrade360helsinki.confetti.events

Digital conference, free of charge: hopin.com/events/posttrade-360-helsinki



PUBLICDOMAINPICTURES / PIXABAY

Use your phone for your juke box vote

Alan Cameron of BNP Paribas will kick off the conference Wednesday morning – with your help. To transform your phone into your vote button, either ...

- scan the QR code with your phone's camera, or
- go to menti.com and enter voting code 9212 6901.



10:00 Break

10:30 Hackathon – at Euroclear

Alexander Sulaimani, Director, Innovation, Euroclear
Pedro Faleiro Silva, EB/ESES Global Business Solutions – Distributed Portfolio Manager, Euroclear

11:00 KEYNOTE: Broker to custody – an integrated workflow

Integrated execution and asset servicing has traditionally been a focused solution for US investments by retail clients. How is this evolving with greater global focus on costs and can an integrated solution comply with best execution needs?

Gary O'Brien, Head of Bank and Broker Segment Strategy, BNP Paribas Securities Services

11:30 PANEL DEBATE: ESG – babble, bubble or silver bullet?

It is estimated in the market that over USD 40 trillion has already been committed into funds and companies in the ESG space. This is projected, by some, to reach USD 140 trillion by 2025, i.e. 1/3 of all AUM. This is a shift in the sand that cannot be ignored, even if the impact has yet to materialise. This panel will explore and discuss three main topics:

- Consistency (data and scoring) - Asking whether and when the current babble can/will become something uniform and clearly

understood by all market participants?

- Performance - Asking whether the current positive performance of ESG investments is simply a natural bubble created by the inflows of capital – when everyone is buying, the price inevitably goes up, but what happens when the market reaches saturation?
- Impact - Asking whether ESG investment is going to have the impact we expect or hope for? Is it our silver bullet, or are we deluding ourselves. Is the anticipated great wealth transfer to the next generation going to come too late to realise the level of investment and commitment really needed?

Moderator: **Alan Goodrich**, Regional Sales Manager - Benelux, Nordics, Baltics & SEE, ERI BANCAIRE

Panellists:

Stefan Lukacs, Head of Investment Strategy, SEB

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

Corinne Neale, Global Head of Business Applications, Data & Analytics Solutions, BNY Mellon

12:00 Lunch

13:00 MARKETS: Bond issuance – reaching international investors in a new way

Bjørn Stendorph Crepaz, Head of Issuance Products & Data Analytics, VP Securities, a EURONEXT company

13:30 TECHNOLOGY TALKS

Unleashing the potential of AI in financial services

The range of good use cases for artificial intelligence in financial services is wide. In this session, pick up good advice and get an overview by looking into applications of AI in J.P.Morgan.

Daniel Borrajo, AI Research Director, J.P.Morgan

14:00 CASE STUDY: BNY Mellon plugs in Google to help clients predict settlement fails

It is an illustrative example of what an “open-architecture approach” can lead to. Through the platform hosted by the custodian, market participants can now get access to the pattern-spotting capabilities of the cloud services provider that is most known for its search engine. In this case, the result could be fewer failures and fines – but also unlocked liquidity and operational efficiencies. What could be next?

Victor O'Laughlen, MD, Digital Business Leader, BNY Mellon

15:00 Break

15:30 MARKETS: T + 1 settlement – What happens to my pie?

The T+1 settlement would transform the securities movement across functions in capital markets. This presentation would provide insight into changes in functions such as securities settlement, corporate actions, securities lending and borrowing and equity repo, Prime brokerage funding and impact on balance sheet.

Vinod Jain, Senior Analyst, Capital Markets, Aite-Novarica Group

Continues ➤



Janne Palvalin, Head of Sector & Infrastructure, Nordea Wholesale Banking Operations

Panu Kettunen, Client Relationship Manager, Euroclear Finland
More panellists to be announced

10:15 Break

11:00 MARKETS:

Consolidation in the Finnish asset management industry: What to expect?

Asset management is an integral part of the broader capital markets ecosystem, but it's an intensely competitive business with relatively low entry barriers, global reach, and high stakes. The industry is struggling with profitability as fees are under pressure and business costs are high. Increasing regulatory requirements, ESG demands, emerging technology, and evolving client needs may create further tensions throughout the value chains. One way to tackle some of the challenges is to look for opportunities to support business transformation via M&A activities to acquire capabilities and create synergies. On the other hand, not all roads lead to so-called "hyper-consolidation."

We'll look at the recent M&A and consolidation trends in the asset management business, especially in Finland, to draw insights into the effects of consolidation on the industry and especially investment operations.

Is the current consolidation just transitory, or is there a more fundamental shift happening?

Thomas Brand, Management Consulting Manager, Wealth & Asset Management Nordics, Accenture

11:30 FIRESIDE CHAT: Digital assets operations – Spotlight on a Finnish innovator

Moderator: **Kim Engman**, Senior Director Payments Strategy & Business Development, TietoEVRY
Yichen Wu, CEO & Founder, Tesseract Investments

12:00 Moderator's closing remarks and end of conference

15:50 MARKETS PANEL DEBATE: T+1 settlement

Panellists:

Jani Viskari, Key Relationship Manager, Euroclear Finland

Brendon Bambury, Head of International Clients Relations & Sales, SIX

Alex Kronic, Head of Equities, LCH Ltd
More panellists to be announced

16:30 DIGITAL ASSETS FIRESIDE CHAT: The next chapter

As institutional adoption of digital assets is accelerating, the underlying technology, infrastructure and operational needs will continue to evolve to support the evolving types of digital assets and new use cases. In this panel discussion, we will address the following:

- As the digital assets landscape is one that is constantly evolving, where is the market trending in terms of market participants, infrastructure, and other key developments?
- What will be the next innovations and use cases?
- What are some of the key challenges and/or opportunities for digital assets as the market matures?

Lory Kehoe, Director, Digital Assets & Blockchain, Advanced Solutions, BNY Mellon

Paula Avraamides, MD, Global Client Management, BNY Mellon

17:00 Moderator's closing remarks & networking mingle

Göran Fors, Deputy Head of Investor Services, SEB

THURSDAY 18 NOVEMBER

09:00 CASE STUDY: To Infinity and beyond – journey of replacing the core CSD legacy

Anu Puttonen, Chief Business Officer, Euroclear Finland

09:20 PANEL DEBATE: Finnish post trade market developments

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

Panellists:

Saija Korkala, Head of Investor Services Finland, SEB

SEB's team employs AI to service alternative assets

Being the Nordics' largest custodian, SEB Investor Services was seeing an increasing need to offer its clients services not only around securities but also the operationally awkward alternative assets.

The team decided to skip the evolutionary step of manual processing and went straight for full digitalisation. Now the first participant is live – with self-learning algorithms from Google Cloud doing the heavy lifting.



Contributed by SEB

“Essentially, we took the least standardised process we could find – and decided to digitalise it,” says Fredrik Söderlund, product manager for portfolio solutions at SEB Investor Services/LCFI.

“We have served our clients for a long time around their liquid assets – the

shares, bonds, derivatives, funds ... – but our portfolio has been lacking a service for their illiquid instruments.”

With the availability of new artificial intelligence (AI), SEB could now go straight for a setup that is digital at its core, rather than starting with a manual one. The common view in the industry has been that – in stark contrast to the shares, bonds and most derivatives – alternative assets are just too complex and unstand-

ardised to lend themselves to automation. The SEB team stopped to ask itself whether, in fact, the opposite could be true? What if it is just because the alternative assets are cumbersome that their processes must be digitalised rather than human-staffed?

Started with a “sprint”

A process-modelling platform by software provider Appian was configured by SEB's own staff to connect the pieces. Google Cloud supplies the self-learning data crunching tools. But with the relative ease of connecting digital services today, no traditional IT consultants were needed to staff a project. The main design considerations were drawn up in a five-day “design sprint” workshop in September 2020. Development started in January 2021, and

“With this move, we have gone from offering nothing, straight into the future.”



Launching alternative asset services in complement to its custody, SEB Investor Services has gone straight for an AI-powered digital solution. Fredrik Söderlund and Tomas Engel share a glimpse of how today's technology lets financial institutions tackle administrative burdens from a completely new angle.

was completed half a year later. The contrast against traditional bank IT megaprojects could hardly be more striking.

"The big projects cost big money – with large project groups, consultants and testing. But when you start from a blank

sheet today, using new technology based on blocks that you assemble in lego style, with pre-defined integrations and self-testing capabilities ... it gets so much easier," says Fredrik Söderlund.

Most of the AI-powered work is

about "intelligent document processing" – starting with the extraction and interpretation of data from the broad range of emails, PDFs, spreadsheets and other files that are exchanged between stakeholders. If the system is uncertain, perhaps because



a document format is new, it will loop the document to the human staff for help to match incoming data with the database blanks it should fill.

A large mass of assets

For institutional investors, the hunt for returns and fierce competition for attractive assets are only two of the many reasons for seeking diversification and better returns outside the capital markets. The alternative assets are not new – these include forests, energy plants such as solar and wind power parks, buildings and bridges, private equity and debt, venture capital holdings etc. And they constitute a large part of the total wealth. Denmark is a Nordic leader in the space, with alternatives making up over a fifth of the institutionally held assets. But the pressure to keep down administrative costs is mounting.

Tomas Engel is SEB Investor Services' head of sales and relationship.

"We see a large number of clients who wish to have these services. Many of the larger custodians are offering this in one way or another already so now we are joining them. As this is one of the more complex and manual processes for the clients, a service based on AI and a lot of knowledge is quite attractive. Also, as this field is growing substantially you actually need to be able to ease the burden on behalf of the clients to stay relevant as a service provider for the years to come," he says.

"And with this move, we have gone from offering nothing, straight into the future", he adds, with a smile.

With all the billions' worth of alternative assets under management at Nordic investment institutions, he hopes that many will be attracted to outsource-

ing their administration of them to SEB. Technically, alternative assets are not stored at SEB's custody, which securities are. But if the institutional clients provide SEB with information that reflects their contracts, the services around them can still be performed. An example could be the fulfilment of payments into a venture capital fund when its general partner issues a "capital call" according to previous agreement.

Another key value of the new service is that it can feed the aggregated information about liquid and illiquid assets into a combined overview in the client's portfolio management system. An integration with SimCorp Dimension is already in place.

Banking gets a new suit

So has it all been a simple and smooth process?

"Yes, it feels like it when we look back, but naturally it didn't always feel like it during the process," says Fredrik Söderlund.

The story could be a text-book example of how banks across the world, like firms in many industries, are currently transforming themselves into digital-first enterprises, increasingly catching inspiration from the ways agile start-ups are working. At SEB, naturally, the new solution needed to be defended through the usual chain of committees. The growing use of cloud architectures raise new questions.

Security and data integrity are of course essential when implementing cloud-based AI solutions. Data stored and processed in Google Cloud is separated from the consumer-facing services that Google also offer. Google personnel do not have access to SEB's or its clients' data. Further-

"Sometimes, it can be better to be fewer people."

more, by the earlier announced partnership between SEB and Google Cloud, they also have a solid security fundament together. This is a good example of how this partnership delivers new, innovative and secure services.

Based on the Appian platform, the SEB team is able to configure business rules and workflows and data structures rather intuitively, without needing to hire expensive coding experts. This type of "low-code" approach is rapidly becoming popular across the financial services industry.

Keep it small – and do it faster

Fredrik Söderlund and Tomas Engel believe that many institutions, possibly also among its institutional clients, could benefit from a similar search for new processing possibilities. Just how solutions should look must depend on the situation at each company, but in SEB's case it has worked well to move towards "task-based" principles, the low-code approach, a small cross-functional development team and the use of artificial intelligence (calibrated by large data from internal asset administration in other parts of the group).

"To do something like this in a financial institution, you do need to radically reconsider how you work," says Fredrik Söderlund. "And sometimes, it can be better to be fewer people."

Tomas Engel agrees:

"Today, sometimes all it takes is a small group that thinks new and smart." ■

An end to end solution for financial intermediaries

Financial intermediaries – namely traditional banks and retail brokers – are dealing with a number of difficult headwinds. With Sweden's Avanza as one of the reference points, Gary O'Brien, Global Head of Banks and Brokers at BNP Paribas Securities Services, discusses how these can successfully rethink their model.



BNP PARIBAS

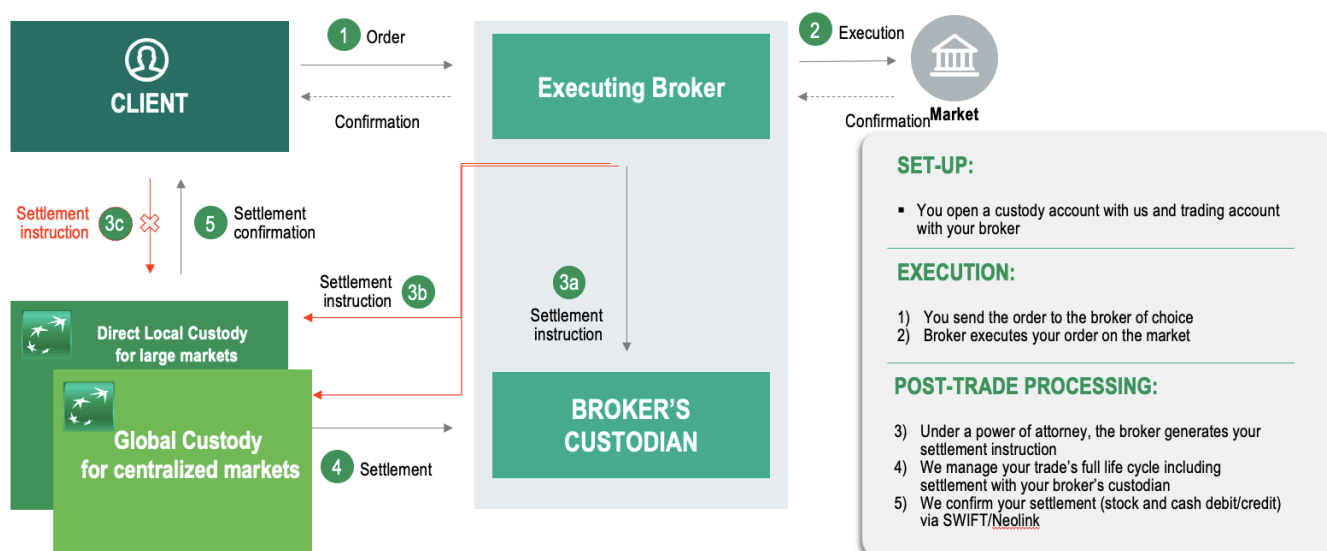
Contributed by BNP Paribas

In order to flourish amid today's challenging market environment, many financial intermediary organisations are now looking to leverage "Broker to Custody" solutions to obtain operational efficiencies and improve their own underlying customer services. Gary O'Brien, Global Head of Banks and Brokers at BNP Paribas Securities Services, shares his insights on how the bank's Broker to Custody product can support intermediaries – as they look to future-proof their businesses and grow revenues.

Could you please give an overview of some of the main challenges facing your intermediary clients?

O'Brien: Right now, intermediaries

are under intense pressure. Banks and retail brokers are facing mounting competition from new entrants, many of whom are expanding their market share at the former's expense. There are several reasons explaining the success of these new entrants. Firstly, they are unconstrained by the legacy technology problems inhibiting the incumbents, which has enabled them to more seamlessly integrate cutting-edge digital features into their front end solutions. Through the adoption of digitalisation, new entrants are making in-roads by winning mandates from tech-savvy retail investors. It also allows providers to offer retail clients highly bespoke services. This is vital - given that investors are increasingly seeking out returns in new markets and products, owing to some of the challenging performance conditions in traditional fixed income and equity markets. As these providers continue to expand wallet share, the incumbents are looking for ways in which to respond.



How are the incumbent providers attempting to future proof their businesses?

O'Brien: In order to compete with these new players, some incumbent brokers and banks are doing one of two things. They have either reduced fees to maintain their client base, or invested into their technology systems and processes so as to remain competitive. However, both of these approaches are likely to have a negative impact on margins. Others have opted to identify cost efficiencies within their core business. For instance, some banks and brokers are looking to rationalise their sub-custody networks by working with fewer providers to keep supplier oversight costs down. Alternatively, other intermediaries are creating partnership solutions – whereby they purchase more services from individual banks. The exponential growth of the integrated execution, settlement, and asset servicing solution – otherwise known as the Broker to Custody model – is indicative of this trend.

What does the standard execution/custody model look like, and what are its benefits?

O'Brien: Traditionally, retail brokers have integrated their execution and asset servicing requirements with one provider. This effectively creates a single counterparty relationship covering all of the brokers' activities. So how does this model typically work? A retail broker will send an order to an investment bank's execution desk. The order will then be executed and a settlement notification is subsequently sent to the custody department to facilitate

This is because it relies on a centralised custody relationship, which supports asset servicing in one location – normally through the global custody structure. This means that brokers can obtain easier access to new markets

settlement on behalf of the retail broker. This structure enables the retail broker to net operational synergies as they no longer need to perform back office processing to support trade settlement. This also helps brokers reduce the risk of market failure – due to the integrated settlement instruction. Furthermore, this model is highly effective among retail brokers focused on specific markets and those looking to achieve scale. This is because it relies on a centralised custody relationship, which supports asset servicing in one location – normally through the global custody structure. This means that brokers can obtain easier access to new markets.

What challenges does the traditional execution/custody model pose for clients?

O'Brien: While the traditional execution/custody model is a sensible option for brokers to take, it does have limitations, not least because the entire set-up is wholly

dependent on the capabilities and coverage of the investment bank's execution desk and custody arm. This can sometimes result in brokers being constrained in terms of the markets and financial instruments which they are able to fully access. For instance, if a bank's execution desk can only cover 12 markets and a handful of blue chip stocks, then that intermediary can only invest in those 12 markets and blue chip securities. This is a serious weakness, particularly as retail investors are becoming more sophisticated, and are seeking out better performance and risk diversification through exposure to new markets and instruments.

Please give an overview of BNP Paribas' Broker to Custody solution and what are its core strengths?

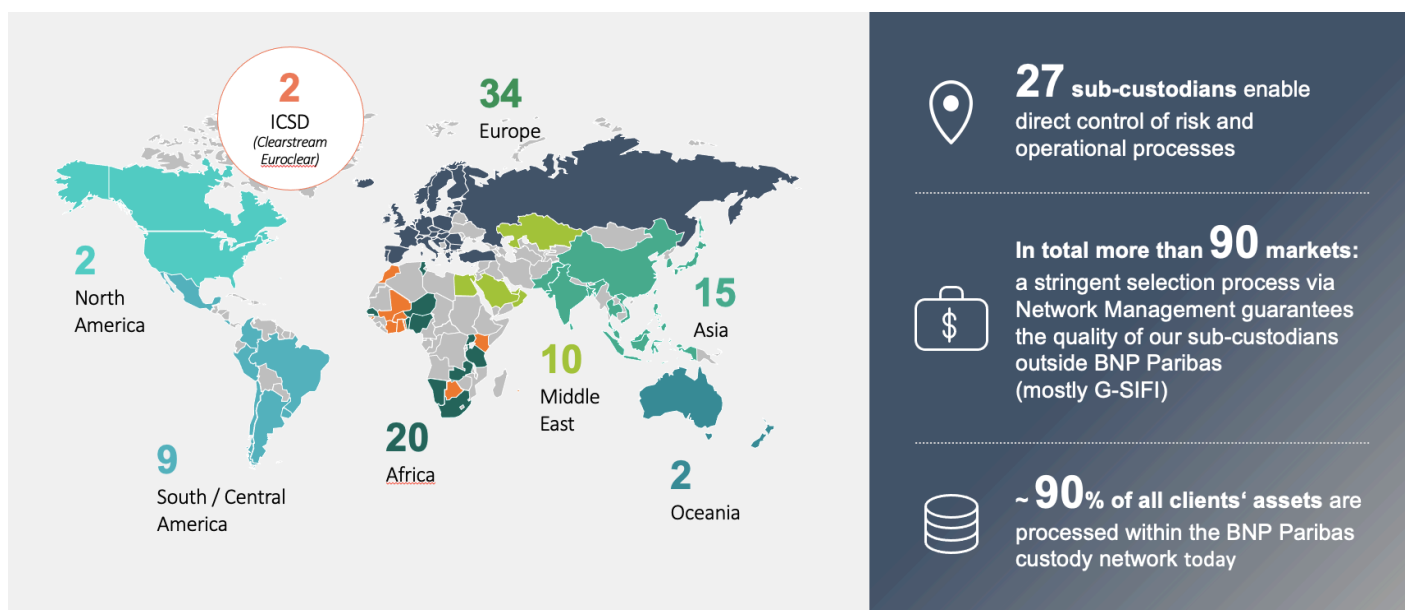
O'Brien: BNP Paribas has strengthened its core electronic execution capabilities. The bank has a truly global offering – which supports flexibility in terms of the booking location for execution. The bank's custody model enables intermediaries to enter into contracts with its branches in local markets. We provide access to 90+ local markets – together with a centralised global custody set-up for some of the less strategic markets. In addition, we offer access to all of the major asset classes – principally equities, bonds, warrants and funds. We also have capabilities in place to help retail brokerage clients expand into new markets and asset classes – in what should help them win more investor mandates.

What differentiates BNP Paribas Securities Services' solution relative to those offered by your peers?

O'Brien: Most significantly, BNP Paribas Securities Services' Broker to Custody tool lets clients leverage other execution providers on demand in addition to the bank's own in-house execution desk. This gives clients a level of flexibility not normally available to them through other providers. By partnering with multiple, top rated brokers, our clients can benefit from a best of breed and tailored solution. It is advantageous from a risk management perspective too, as clients can port business to a different execution desk if there are issues at their primary provider. Opera-



Gary O'Brien



tionally, this set-up has limited impact on intermediaries as they can continue to pass settlement instruction responsibilities to their chosen brokers. Beyond that the solution supports automation, simplifies the trade lifecycle process for clients, enhances STP (straight-through-processing) thereby minimising the risk of trade fails, and reduces cost and risk through netting, aggregation and book entry settlements. Furthermore, BNP Paribas Securities Services provides standardised and agile reporting capabilities – meaning clients now receive reports in the same format irrespective of

the individual custody arrangements which they have implemented.

How do you see the product evolving moving forward?

O'Brien: As retail investors evolve, brokers will need to offer clients a wider range of services. A number of intermediaries are looking to augment returns for their underlying clients through BNP Paribas Securities Services' securities lending capabilities. Retail investors – who may traditionally sit on long positions with low transactional volumes – can now lend

out their assets via BNP Paribas Securities Services' securities lending desk, thereby generating a return on their investments. Other services such as foreign exchange can also be integrated into the offering in a way that provides total transparency to end customers. Elsewhere, sophisticated asset owners are becoming more empowered and are bringing asset management activities in-house. We anticipate that the Broker-to-Custody solution will be very attractive to these investors as they look to obtain a one-stop shop for their custody and trading needs. ■

Case study: Sweden's Avanza

Avanza, a leading Swedish online bank with more than 1.5 million retail customers, outlines why it selected BNP Paribas Securities Services' 'Broker to Custody' product.

Please give an overview of the challenges you were facing

Avanza* (Client): As a fast growing provider to retail clients, our main chal-

lenge was to find solutions and partners that could keep up with the evolution of our product. As our end customers increasingly sought out new markets and instruments, we looked to BNP Paribas Securities Services' agile "Broker to Custody" solution.

How did BNP Paribas' Broker to Custody solution solve your issues?

Avanza (Client): BNP Paribas Securities Services' solution is incredibly agile, and it enables us to expand into new markets and instruments

with ease. We have worked with BNP Paribas for more than 6 years and it has continuously supported and adapted its solutions in tandem with our business requirements.

Through its excellent reporting functionalities, best-in-class custody and execution capabilities, BNP Paribas has helped us deliver a premium end-to-end service to clients.

We see BNP Paribas Securities Services as a partner who are continuously catering for our evolving business requirements.

The world's most important asset

BNY Mellon has combined new technologies, partnerships and a philosophy that data has become the world's most important asset class, according to Steve Taylor, head of BNY Mellon Data Vault, who explains the custodian's approach.



Contributed by BNY Mellon

What change have you seen in client demands that has sparked this acceleration in your strategy and investments in data services?

I think it's scale of the transformation that has been the biggest change. This has been brought on by macro and systemic industry changes. You've got increased competition in markets, more diversified asset classes, increased M&A activity and obviously the pandemic.

We've seen first-hand that our customers' needs are evolving quickly, and we believe we can offer a more comprehensive, more modular platform that gives them the flexibility and insights they need to grow.

They are asking us 'how can you help future proof my business? And how do I re-imagine it?'

We recently completed a study with

about 200 asset managers globally on trends and what was amazing to me was the pervasiveness of themes around data, with 93% of respondents indicating that they are expanding plans to increase the use of analytics and insights in portfolio management. Many of their growth strategies rely on leveraging advanced data and analytics. That level of laser focused activity really speaks to the comprehensiveness



Steve Taylor, head of BNY Mellon Data Vault

of these changes. There was also substantial acknowledgement of serious hurdles they need to overcome. Many of them are still living with siloed data. They don't have access to the data in the way that they need it and the quality is inconsistent. I should say, coupled with that, they have a user population that is much more data hungry and more tech savvy than ever before.

Do you think custodians are in the rare position of being such a trusted provider for asset managers, and therefore you are relied on to aggregate and partner?

We know data very, very well. We believe we're uniquely positioned because we've delivered investment data software and services to clients globally for more than 25 years through our Eagle product suite. We continue to invest heavily in that business, while also harnessing the rich intellectual capital developed there to take our capabilities to the next level. This includes our complementary Data Vault, and our ability to deliver differentiated data sets that can help our clients grow. Being able to pair that deep software and data expertise with exceptional BNY Mellon services creates unique value for our customers.

How do you keep pace with these fast moving client demands when it comes to your own strategy and technology?

It's really important to have a sound and well understood architecture strategy and I don't mean just a kind of technical



architecture – but an understanding of where we fit within the industry.

That's very much aligned to the core principles around OMNISM – our open, modular, networked and integrated platform. It connects a portfolio of capabilities and solutions together.

Ultimately, we want to give clients choice. They are all at different stages of their journey, and they want optionality that allows them to plug into a broad ecosystem of providers and suppliers.

How we keep pace is by recognising that we alone can't build everything, but focus on building a platform that allows our industry to come together in more meaningful ways.

So allowing our customers and our data suppliers to build meaningful content on the platform is a big, big part of how we see ourselves keeping pace. I have talked to my team a lot about how we have probably interfaced with more systems than any other firm in the industry.

Finally, I should mention that working with Microsoft and adopting Azure services has allowed our product and engineering teams to focus on differentiating our capabilities while leveraging Microsoft's expansive, global technology expertise. By collaborating with Microsoft, we can extend our capabilities faster than if we built everything ourselves. So it's a win for us and a win for our clients.

Why have you decided to also focus on front-office data and why are you well

positioned to provide this in addition to middle- and back-office data, which you've been more traditionally known for?

We really hone in on how data can deliver business outcomes for our clients. So I think of the front-office no differently. Everyone is grappling for faster access to data to drive an information advantage. They want to know how they can access new datasets or combine them to create new insights. Those same recipes or ingredients are critical, regardless of where someone sits within the organisation.

We've spent decades building products and services for the middle- and back office so we have deep relationships with those customers and over time they've provided us with invaluable insights and experience in terms of what they want to see next. And they're telling us that data management and insight discovery can help them drive better investment decisions or improve sales efficiency. That's what we're hearing and reacting to.

I see it as a continuation of the journey. The lines are blurring, and we're helping break down silos of data, and making that data more accessible to them. This is what our clients want. They want to be able to interact with that data in new and more natural ways. The more accessible the data is, the more they can explore the art of the possible.

What do you think the future holds in this space from both a client perspective and for your services?

If we think about some of the motivations around our strategy – and also specifically with our Data Vault product, which functions as the backbone of OMNI – what's really important is to create a platform that allows our clients to quickly acquire and interact with larger, more diverse data sets and remove a lot of those traditional technology hurdles that you see with onpremise data management solutions.

Using ESG as an example, I think that we see an industry that's shifting to a much more agile way of thinking about how that data is used. Fast experimentation followed by rapid or robust industrialisation of the data is a key point that we see and hear from our customers. To make that data more accessible – that ultimately unlocks more opportunities, which has historically been something that's quite challenging.

Through our relationship with Microsoft, we're providing cloud-based capabilities that allow our clients to run faster, cheaper and ultimately gain insights sooner. This lends itself to a future that will focus on the acceleration and creation of analytics to drive investment, risk, operational and cost optimisations.

But this requires integrated platform capabilities operating cohesively, from data acquisition, to discovery, to quality controls and dissemination. The adaptation of artificial intelligence has helped our capabilities keep pace with that explosion of data our clients are seeing. ■

Scaling the sustainable finance market

Sustainable finance could mobilise \$25 trillion of capital and reduce CO₂ emissions by 1.3% by 2030

Euroclear and Strategy & report shows unique role Financial Market Infrastructure can play in scaling the global sustainable finance market.



Contributed by Euroclear

The future is bright for sustainable finance, but only if significant market changes are implemented. A white paper published today by Strategy& (PwC's strategy consulting business), in collaboration with Euroclear, identifies the key challenges in scaling sustainable finance and proposes actionable cross-border financial market infrastructure (FMI) solutions to propel the market further.

Sustainable finance could mobilise \$25 trillion in additional capital globally by 2030, driving forward a 1.3% reduction in CO₂ emissions equivalents and helping 430 million low and low-middle-income children access primary school education.

The study aims to raise awareness of the unique role that FMIs can play in scaling the global sustainable finance market. Today, the market is experiencing strong investor demand but an insufficient supply of sustainable securities and cross-border processing infrastructure to meet it. An FMI-driven approach leverages the trusted, central and neutral position of FMIs to address the fundamental obstacles on both the supply and demand side of the market, which are currently preventing the scaling of sustainable finance to its full potential.

FMIs, by nature, can support all market participants and asset classes regardless of where they sit along the market's trajectory. Therefore, an FMI-driven approach can bring everyone along the journey, whether they are a longstanding market participant or just entering the market. These opportunities include:

- Encouraging greater sustainable finance issuance, through reducing infrastructure, regulatory and informational barriers to issuance
- Processing ESG (Environmental, Social & Governance) information flows including ESG metrics, disclosure and assurance
- Expanding the market to more asset classes and participants

The insights contained in this study should encourage a coordinated effort across financial market participants – driv-

en by FMIs – to support the sustainable finance market to reach its full potential.

Five principles

The study defines a set of five principles which, if met, would deliver an efficient and well-functioning sustainable finance market which include:

- Investors increase their demand for sustainable securities
- Issuers increase their supply of sustainable securities
- Investors can more easily identify and compare sustainable securities
- Investors are able to better invest in sustainable securities
- Market participants trust in the sustainable finance market

The paper also explores the avenues for FMIs and related partners to address key market gaps. A range of recommendations are set out for how an FMI-driven approach can drive the continued development of a successful sustainable finance market. And, finally, the paper quantifies the potential economic and sustainable impact of addressing key challenges in the sustainable finance market through an FMI-driven approach.

The report by Euroclear and Strategy& – "Scaling the sustainable finance market" – can be downloaded by [clicking here](#) in the magazine pdf.



“Committed collaboration across the financial industry is needed”

Lieve Mostrey,
Chief Executive
Officer, Euro-
clear:



“This report illustrates the scale of the opportunity for sustainable finance. The real potential to reduce CO2 emissions is compelling, supported by the growing appetite for sustainable products amongst financial institutions. FMIs have a crucial role to play in driving this agenda going forward, delivering growth to the sustainable finance market and improving the sustainability of mainstream capital markets.”

“However, FMIs cannot accelerate change on their own. Committed collaboration across the financial industry is needed to create the conditions for a successful sustainable finance market.”

Nick Forrest,
UK Econom-
ics Consulting
Leader, PwC:



“It is clear that the sustainable finance market has a crucial role to play in responding to the challenges of the climate emergency. Additional mobilised sustainable financing could cut the time required to achieve the UN’s Sustainable Development Goals by over one year.” “Yet this report highlights there is a long way to go for sustainable finance to realise its potential. A cross-border FMI-driven approach would make a significant contribution to addressing the barriers to scaling up the global sustainable finance market.”

Searching through the green

The industry-wide need for quality ESG data



Contributed by
**Janine Hofer-
Wittwer, SIX**

Adoption of ESG strategies by investors and corporations globally has risen astronomically in recent years. Today, according to the US SIF Foundation's biennial Trends Report, a staggering \$17 trillion is invested in sustainable investment strategies.

This dramatic shift, however, will not be sustained unless we facilitate the capture and reporting of ESG data in a way that is useful to all market participants. This strong interest in sustainable investments is matched by an equally

strong industry and investor-driven need for quality ESG data.

A recent survey by BlackRock found that 53% of respondents cited concerns over poor quality or availability of ESG data and analytics. Although more companies are carrying out ESG reporting,

a fragmentation in reporting and lack of consensus on what defines “E”, “S” and “G” means that the current data available is inadequate in its breadth, depth, and quality.

The coming into force of regulations, such as the EU Sustainable Finance Disclosure Regulation (SFDR) on 10th March, makes the need for ESG data to base investment decisions on even more pressing. Under the new EU rules, all asset managers will have to consider sustainability risks alongside other financial risks, before disclosing to investors how these are managed or why they are not deemed relevant. Raw ESG data is difficult to source and many companies do not report on their ESG performance, or only on some limited aspects of it. And even if there is data available from companies, that information is often not easily comparable

“Under the new EU rules, all asset managers will have to consider sustainability risks alongside other financial risks ...”

between companies due to the absence of a uniform standard.

Current data is also focused on the climate and environmental impact of companies, and to a lesser extent on social factors such as diversity and inclusion, or human capital management issues. Furthermore, there is a lack of non-financial data on companies that are not based in the major markets and small and mid-cap companies. Bringing these non-financial factors onto corporate balance sheets makes the overall performance of many companies look very different.

Get your data clean

With such issues, how will market participants identify the truly sustainable? The first step is to understand what data is needed and to define the benchmarks and frameworks to analyse and standardise it. A sophisticated database with cleanly sourced, aggregated and refined data is crucial.

We can also expect more clarity on standards around ESG data, allowing investors and financial institutions to make informed decisions. Although there are many disclosure standards around, what we are now seeing is a convergence to TCFD, SASB and others.

As ESG-orientated investing grows increasingly important to investors, technology and analytics, such as AI-

driven data analysis, will empower them to effectively assess the sustainability of the options available to them. The use of AI and alternatively sourced data will give investment managers greater capabilities to uncover material ESG data, provide investors with the products they want and achieve a better risk/return trade-off.

Innovation is ongoing

ESG investments are here to stay and are shaping to be the future of finance. We are constantly innovating and developing new products to ensure that our clients can capture future opportunities now. In addition to finalizing our ESG regulatory data offering (EU SFDR, EU Taxonomy), we have recently launched new ESG indices and also expanded our ESG data range through the acquisition of a majority stake in Orenda Software Solutions, with the aim of enabling our clients to make faster, more informed decisions with consumption-ready data and analytics. ■

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

In SIX's digital booth at PostTrade 360° Oslo on 26 May, you can enjoy a 22-minute video presentation by Janine – [direct link here](#).



Changing for the future.

At SEB, we aim to be at the forefront of sustainable finance.
By offering innovative products, services and advice, we want to
support companies on their transition to more sustainable solutions.
Together we can continue the journey towards successful business
models that lasts in the long run.

Partners in Sustainable Transformation

Read more at www.sebgroup.com

SEB

Funding a sustainable future

In August of this year, the UN's Intergovernmental Panel on Climate Change (IPCC) released a report that made headlines around the world. In what has been called a "code red for humanity", the report stated that "unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, limiting warming to close to 1.5 °C or even 2 °C will be beyond reach."



By Bjørn Crepez, Head of Issuance Products & Data Analytics, VP Securities

Slowing climate change is nowadays definitely on the top of everyone's agenda. We've already seen some of the ambitious targets set on EU and national levels. For example, the European Green Deal aims to make Europe the first climate-neutral continent. Coming closer to home, Denmark has set the goal to reduce CO₂ emissions by 70% in 2030. Delivering these "rapid, large-scale reductions", will require significant investments from both the public and private sectors. In fact, the European Commission estimates that the EU needs to invest an additional €260 billion a year in order to achieve the collective commitment to cut carbon emissions by 55% by 2030. In this context, the role of investors is key in urging decision-makers and businesses to commit to sustainable investments. And financial markets have a central role to play in the transition to a net zero carbon economy: for example the European

Central Bank (ECB) has been implementing this year a "centre for climate change" which has also recently set an action plan with nine accurate measures.

How we finance the transition

So how can we, as market participants in the post-trade industry, do our part to fund the transition to a blue and green economy? As early as 2018, the EU's Technical Expert Group (TEG) highlighted that the financial sector would need to play a significant role in facilitating this transition. More than any other industry, we have the capacity to influence the reallocation of private capital towards more sustainable investments. Our role is to promote the transition of companies to more sustainable business models, and as such we advocate for improvement. That is why we support the TCFD, and we are signatories of the UN Global Compact and the UN Ocean Principles.

One of the most effective instru-

ments at our disposal is the green bond, which the United Nations has called "one of the most significant developments in the financing of low-carbon, climate-resilient investment opportunities."

The Nordic region: first-movers in green bond investing

The Nordic region actually features quite prominently in green bond history. It was a group of Swedish pension funds that approached the World Bank in late 2007, looking for a way to invest in projects that would help the climate, that led to one of the world's first green bonds. And it was the Oslo-based Centre for International Climate and Environmental Research (CICERO) that provided the now standard second opinion for that bond – verifying the positive impact the potential investment project would have on the environment.

Nordic exchanges have been pioneers in this space as well. For example, Oslo

In other words, there's never been a better time to enter the ESG issuance space. As we see it, embarking on the ESG journey involves three key elements: strategy, visibility and communication.



TREALON / PIXABAY

Børs was the first exchange to implement a list for green bonds back in 2015. They created the list in response to increasing investor interest in sustainable investment opportunities, with the goal of making it easier for investors to identify green bonds. The day the list went live, it contained five listed bonds having a combined issued amount of over NOK 3 billion. To qualify for the list, the issuer needed to have an independent evaluation of the project for which the bond's proceeds would be used. The evaluation needed to be made public so market participants could understand the project's environmental impact. Issuers were also obligated to keep investors informed about updates to the project the bond was intended to finance. These requirements are now a part of established best practice and standards for issuing green bonds.

Interest in green bonds accelerates

In 2020, the Oslo Børs green bond list became an integrated part of Euronext ESG Bonds, an online platform which combines all eligible and consenting ESG bonds issuers and securities in our markets in one location (ESG standing for environmental, social and governance). The list now contains over 850 ESG bonds from more than 280 issuers across the globe.

This platform connects investors and issuers, creating an international financial community for those actively involved in sustainable investments. Issuers on this platform have raised in excess of €600 billion, representing approximately 44% of total global sustainable issuance.

Since the start of the year, Euronext has added over 250 ESG bonds – which shows that investors' appetite for sustainable investments is only accelerating. Based on our experience with green bond investing, we see that investors are not only interested in supporting established green bond issuers. They're also looking to invest in companies just starting their ESG transition. In other words, there's never been a better time to enter the ESG issuance space. As we see it, embarking on the ESG journey involves three key elements: strategy, visibility and communication.

A clear ESG strategy helps companies avoid the "greenwashing" trap

Investors are becoming increasingly critical of sustainability and eco-friendly claims. In fact, one of the aims of the new European Green Bond Standard (EUGBS) is to protect investors from "greenwashing" – when companies claim they're doing more for the environment than they actually are. While compliance with this standard is voluntary,

it demonstrates the importance of incorporating ESG principles into your long-term corporate strategy, as opposed to approaching ESG initiatives as standalone projects. And, as with any strategy, this needs to be developed in cooperation with your company's stakeholders and include concrete targets that investors can easily follow.

Visibility is crucial to attracting the right investors

The growth of the green bond market over the past 10 years testifies to private and professional investors' interest in sustainable investment opportunities. However, work is still needed to make green investments more visible, and to help investors understand what "green" actually means. The biggest issue barring investments into a greener economy is the lack of visibility and transparency for market participants. This is one of the reasons the EUGBS is introducing a shared EU Taxonomy – a common classification system for sustainable economic activities. The hope is that by creating a shared standard for issuers, investors will be able to identify sustainable investments more easily.

The need for greater visibility is also one of the driving factors behind our dedicated bonds platform. By consolidating green bonds in one location, and employing a shared taxonomy based on recog-

nised standards, we can help investors who have the capital to find the ESG projects they want to finance. This visibility is also key for issuers, as it helps you connect with an international investor pool and get the funding you need.

Life beyond Green: the Blue Economy

Being a leading listing venue for companies that operate in ocean industries and other businesses related to Blue Economy, Euronext became in 2020 the first and only Exchange signatory of the UNGC Sustainable Ocean Principles that provide a framework for responsible business practices across sectors and geographies. Furthermore, it has contributed to the UNGC Blue Bond Reference Paper, with the scope of identifying opportunities to use the ESG bond market to secure capital for ocean-related projects and companies that have made, or are planning to make, a significant contribution to the UN SDGs especially the Sustainable Development Goal 14 "Life Below Water". Mid 2021, we had 162 companies listed in sectors related to the Blue Economy, in all Euronext countries. These companies had a market capitalisation of over 675 billion euros, with total revenues of over 840 billion euros, and employed over 1,4 million people.

Communicate the right information to the right people

For investors interested in sustainable investments, analysing a company's relevant ESG criteria is a fundamental part of assessing the value of an ESG investment. This information gives them insight into how the company is performing with relation to its ESG goals and the company's level of commitment regarding its ESG projects. However, different investors require different types of information. And depending on a company's jurisdiction, a wide range of ESG reporting requirements might apply. So, as an issuer, when determining how much to report, you need to identify your stakeholders and investors, analyse their interests and needs, and consider which information is relevant for them. This will help you define the scope of your reporting and put the necessary reporting tools in place to capture the right data.

As an example, we offer issuers tailored programmes to increase ESG

What is clear is that there has never been a better – or more critical – time for issuers to solidify their ESG strategies and do their part to fund a sustainable future.

knowledge, connect them with relevant stakeholders and advocate for their goals and interests, and also a set of guidelines on ESG reporting. This last one draws on recommendations from the UN Sustainable Stock Exchanges Initiative, and are designed to help listed companies structure their approach to ESG.

Board the ESG train before it leaves the station

Globally, green bonds have been issued for over €850 billion. Of that, €227 billion was issued in 2020 alone. Analysts expect €340 billion in green bond issuance in 2021. And the bond market isn't the only area where we're seeing an increase in ESG investment. The same trend is evident in stocks and indices as well. For example, the recent launch of the CAC 40 ESG[®], a sustainability-oriented version of the French national benchmark index, CAC 40[®]; the MIB ESG Index on Borsa Italiana, Italy's first blue-chip index dedicated to ESG practices; and Euronext's ESG WORLD Index chosen by the German Government, all demonstrate that ESG will be the dominate theme in the investment market for the foreseeable future. Whether we'll see similar dedicated indices in the Nordics remains to be seen. What

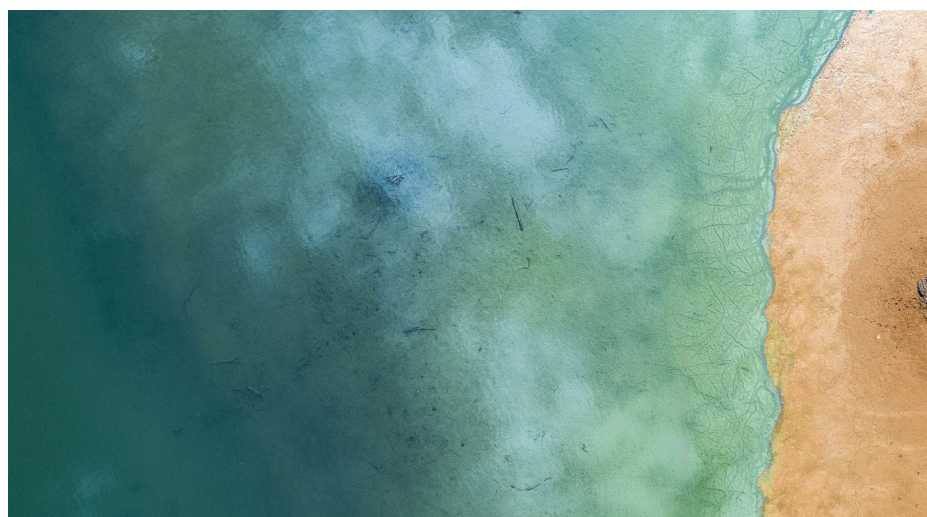
Fact box: ESG is about more than the environment

While projects to reduce carbon emissions and switch to green energy sources garner most of the attention, there are other types of bonds in this category. For example, 2021 has been a good year for social bonds (the 'S' in ESG) – where the proceeds finance socially beneficial activities, such as affordable housing or building essential facilities. In the first four months of this year, Euronext listed 18 social bonds, as compared to 18 in all of 2020.

is clear is that there has never been a better – or more critical – time for issuers to solidify their ESG strategies and do their part to fund a sustainable future. ■

Sources

- [Climatebonds.net](https://climatebonds.net)
- worldbank.org
- [Euronext.com](https://euronext.com)
- [Ec.europa.eu](https://ec.europa.eu)
- [Forsikringogpension.dk](https://forsikringogpension.dk)



MICHA SAGER / PIXABAY

ESG integration

Failure is not an option – Technology is the only answer!

The ESG tributary is fast becoming the mainstem when it comes to investment flows. Technology will play a pivotal role in supporting this transformation and enabling competitive advantage.



Contributed by
Alan Goodrich, ERI

Blackrock CEO, Larry Fink, has famously written that, “climate risk is investment risk”. He has also framed the climate transition as a “historic investment opportunity.”

It is estimated in the market that over USD 40 trillion has already been committed into funds and companies in the ESG space. This is projected by some to reach USD 140 trillion by 2025, i.e. 1/3 of all AUM. This is a shift in the sand that cannot be ignored, even if the impact has yet to materialise.

Regulators, such as the SEC, could soon make ESG performance reporting obligatory for market participants.

Technology is going to play a pivotal role. New processes and data will need to be embraced throughout the investment



GERHARD G. PIXABAY

lifecycle in order to support this transformation and enable competitive advantage, for example:

- Client suitability tests
- Incorporating ESG into portfolio construction
- ESG reporting
- News & analytics
- Reliable ESG data to make investment decisions

Investment funds that used ESG principles captured an estimated USD 51.1 billion new money in 2020 – a 140% increase on 2019. This is only expected to increase further as the great wealth transfer proceeds, anticipated by some to account for USD 30 trillion changing hands over the next 20–30 years.

The younger generations are either more willing to align their values with their investments, or more open to change. Either way, the industry must adapt to both supply and demand-side needs.

However, there is work to be done in order to establish trust in the definition of ESG. The high level EU action plan on financing sustainable growth, new regula-

tions including SFDR, NFRD, FRIB and EFDR, as well as the adaptation of existing regulations such as MiFID II, IDD, CRD and many more, may help achieve this, but they also add to a compliance burden that is already weighing heavily on the profitability of the financial services sector. Generally, technology is the only way to minimise and cost effectively share this load.

Systems need to facilitate access to transparent and standardised ESG data, presented meaningfully for both investment professionals and clients alike, so that a common understanding and education as to what ESG really means is achieved. The applications used to manage the investment process, both pre- and post-trade need to be ready to capture and monitor ESG preferences or constraints defined by the client, the prospectus of the investment vehicle, the regulator, and the risk managers (not to forget Larry Fink's point).

Implementing technology that simplifies and streamlines the hidden complexities embedded in ESG investing will undoubtedly provide the potential to create competitive advantage, both by attracting new assets while cost-effectively and compliantly processing the transactions, managing the portfolios and reporting to the regulator(s).■

Alan Goodrich

Regional Sales Manager at ERI
Fellow of the IAP (Institution of Analysts & Programmers)

ERI is the supplier of the OLYMPIC Banking System, offering award-winning levels of innovation, real-time post-trade automation and compliance.

"The **benefits** to market participants are **significant**"

Cécile Nagel, President of EuroCCP, describes how **preferred clearing volumes** have exploded over the past 18 months, and why the model benefits both market participants and trading venues.



Contributed by EuroCCP

One clear trend at EuroCCP over the past 18 months has been the meteoric rise of preferred clearing, with volumes in the first half of 2021 outstripping those for the whole of 2020. As the leading CCP in Europe, EuroCCP champions open access through preferred clearing, introducing competitive clearing to regulated markets where interoperability – the ability of different systems to connect with one another – is not currently available. While EuroCCP has access to around 94% of Europe's equities trading activity executed on recognised exchanges, only 63% of this is interoperable; 30% adopts preferred clearing, which is also known as the User Choice Model.

So how does preferred clearing work?

For EuroCCP to clear a trade in the absence of interoperability, the buyer and seller of the trade must select EuroCCP as their preferred CCP at the point of onboarding. The venues then report back to each trading participant that EuroCCP has cleared the trade in order to maintain transaction reporting, trade booking and reconciliation. EuroCCP connects to Euronext Amsterdam, Brussels, Lisbon



Cécile Nagel, President, EuroCCP.

and Paris, Deutsche Börse Xetra and Borsa Italiana for preferred clearing, representing about 25% of European equity trading.

The benefits to market participants are significant. Members opting for EuroCCP as their preferred CCP for Euronext stocks are able to consolidate their clearing activity through one clearing house, enabling them to benefit from more efficient netting opportunities, as well as operational and cost efficiencies. Preferred clearing volume is added to members' overall volumes for fee calculation so, through scale, fees will be lower compared to the primary CCP as a result of EuroCCP's volumes from pan-European coverage. On average, the preferred clearing fees charged by EuroCCP on Euronext are over 75% less than if the venue had used its primary CCP. Preferred clearing allows trading venues to offer their customers best execution by ensuring lower trading and clearing fees.

Statistics demonstrate just how much preferred clearing volumes have accelerated. In the first six months of 2021, EuroCCP cleared 4.5 million trades on Euronext via preferred clearing, compared with 3.5 million for the whole of 2020 and 33,000 the previous year. EuroCCP now has a 2.5% market share in preferred clearing versus an average 0.61% in 2020, and hit a market share peak of 3% in March this year. The increase was down to three main factors: the huge pandemic-led volatility in financial markets last spring leading to an unprecedented volume of transactions; more market participants recognising the benefits of preferred clearing; and EuroCCP onboarding several major liquidity providers.

We are expecting further significant preferred clearing volume growth on Euronext during the remainder of this year, and corresponding increase in market share. We have started to clear trades on Borsa Italiana, introducing competitive clearing to the market for the first time and more banks and liquidity providers will be added this year. The growth will cap a very busy and successful year for EuroCCP which also saw us move into equity derivatives trading in support of Cboe Europe Derivatives, a new pan-European marketplace which enables participants to access a vibrant equity derivatives market through a single access point, creating efficiencies in trading and clearing. ■



We partner rather than panic

Our white paper reveals how LCH's
risk management mitigates margin
increases.

For more information, visit <https://bit.ly/3EER4sf>

LCH The Markets'
Partner

Optimization is a never-ending process

Optimization is a critical theme in the post-trade space. I've been around long enough to remember when share certificates would be issued months after the investment was made. Looking at today's model, that seems almost impossible to comprehend. Now, digital assets transfer instantaneously and bonds settlement cycles are as short as they have ever been.

EUREX

Contributed by Ricky Maloney,
Eurex

I fondly remember my time as a certifications clerk. Sometimes people would sell their shares before their certificate was issued. Often they just sold a part of their holding and their new certificate would be 'held to order' and marked down in a number of shares, with a portion allocated to the new buyer. While this all seems incredibly inefficient today, it was, in its time, the optimal method.

Settlement, reconciliations and other such custodial processes have come a very long way since. Yet, we still seek to



Ricky Maloney

optimize, reduce costs, increase inefficiencies. New technologies and insights allow us to make today's optimal the sub-optimal tomorrow.

Digitization of assets looms large on any investment industry conference agenda. Some scratch their heads, and some find themselves excited at the prospect. Others, like me, sit and watch the excitement growing while waiting for the next big thing to hit the headlines. It is, without a doubt, an exciting time to work in this industry. The investment banks invest in teams and infrastructure, allowing them to tread new ground for, and with, clients. Whether it is described as franchise protection or exploring new avenues is irrelevant. The outcome will be the same: progress and new opportunity.

Deutsche Börse recently announced the launch of its D7 platform, a regulatory compliant, fully digital post-trade platform for financial institutions to issue electronic securities leveraging Digital Instruments, a digital description of the securities. D7 provides a fully digital alternative to conventional physical issuance and processing of securities. D7 aims to digitize the financial product itself, unlocking great efficiency benefits for customers and the market as a whole.

However, don't just view optimi-

"I fondly remember my time as a certifications clerk."

zation through the post-trade lens. In 2007, during my asset management days, I implemented MarkitWire to negate the requirement for signing long-form ISDA confirmations after each trade as counterparties were not happy with the 2–3 months we were taking to return the signed agreements. After going through the onboarding process and backloading as many agreements as possible, we turned that 2–3 month timeframe into a day, at most. However, that did nothing to reduce costs in our investment portfolios.

For many clients, optimization starts pre-trade. As an exchange and CCP, we are constantly working with clients to ensure they are approaching their cleared derivative strategy optimally. We ensure allocating their counterparty risk to the extent that margin requirements are reduced to the max, promoting the mindset around the bundling of multiple products into a single account. As an example: interest rate and inflation derivatives have an interest rate correlation. This reduces margin requirements through portfolio optimization. Add fixed income futures to the mix, and gross risk exposures reduce even further. ■

"New technologies and insights allow us to make today's optimal the sub-optimal tomorrow."

Risk management is **crucial** as more instruments flood into CCPs



Contributed by
Brendon Bambury

Appetite for centralised clearing is on the ascendency, fuelled by the emergence of new, exciting products together with the imposition of the final two phases of EMIR's (European Market Infrastructure Regulation) tough initial margining requirements for bilaterally traded OTC (over-the-counter) derivatives. With more exotic and arguably dicier financial instruments being centrally cleared, central counterparty clearing houses (CCPs) must demonstrate that they have robust risk controls in place.

New instruments enter the market

With investors looking to diversify beyond fixed income and equities, many are building up their allocations to digital assets – including through crypto-currency exchange traded products (ETPs). Data from TrackInsight found that crypto-currency ETPs' market capitalisation increased four-fold in 2020 to reach \$3.1 billion, before surging to a record \$4.4 billion in early 2021¹. This growth shows no sign of losing momentum with 53% of European institutional investors telling ETC Group – a provider of digital asset-backed securities – that they would prefer to trade Bitcoin through an ETP wrapper.² If the crypto-currency ETP market is to continue expanding, then the infrastructure support-



ing its trading needs to be of institutional quality. In response, a growing number of CCPs are increasingly clearing crypto-currency ETPs. For instance, SIX x-clear is now providing clearing services to the ETC Group Physical Bitcoin, a recently launched crypto-currency ETP.

Demand for CCPs will also be driven by EMIR, which should be fully implemented by September 2022. Under phase 5 of EMIR, financial institutions with an AANA (Aggregate average notional amount) of non-centrally cleared OTCs totalling more than €50 billion will be subject to stricter margining obligations from September 2021. With the introduction of Phase 6 of EMIR from September 2022, the AANA threshold will reduce to €8 billion capturing around 1000+ entities from across the buy-side and sell-side. This is likely to result in a number of non-standardised, bilaterally traded OTCs being pushed into centralised clearing.

A strong risk model is non-negotiable

With a wider range of financial instruments being centrally cleared, CCPs need to ensure their risk models are watertight. Although CCPs have long demanded

members post initial and variation margin on their trades, instruments such as crypto-currency ETPs will be subject to tougher collateral requirements. In addition to their own risk waterfall mechanisms, EU regulators have instructed CCPs put greater skin in the game [i.e. their proprietary balance sheet capital] to mitigate the risk of member defaults. Complementing EMIR is the EU's recovery and resolution requirements, which stipulate that CCPs should have measures in place to facilitate an orderly wind-down should it fail. Again, these regulatory obligations – along with CCPs' stringent internal risk management practices – will be integral in safeguarding the market's integrity and security as more instruments are centrally cleared. ■

Brendon Bambury is Head International Client Relations & Sales, SIX Securities Services.

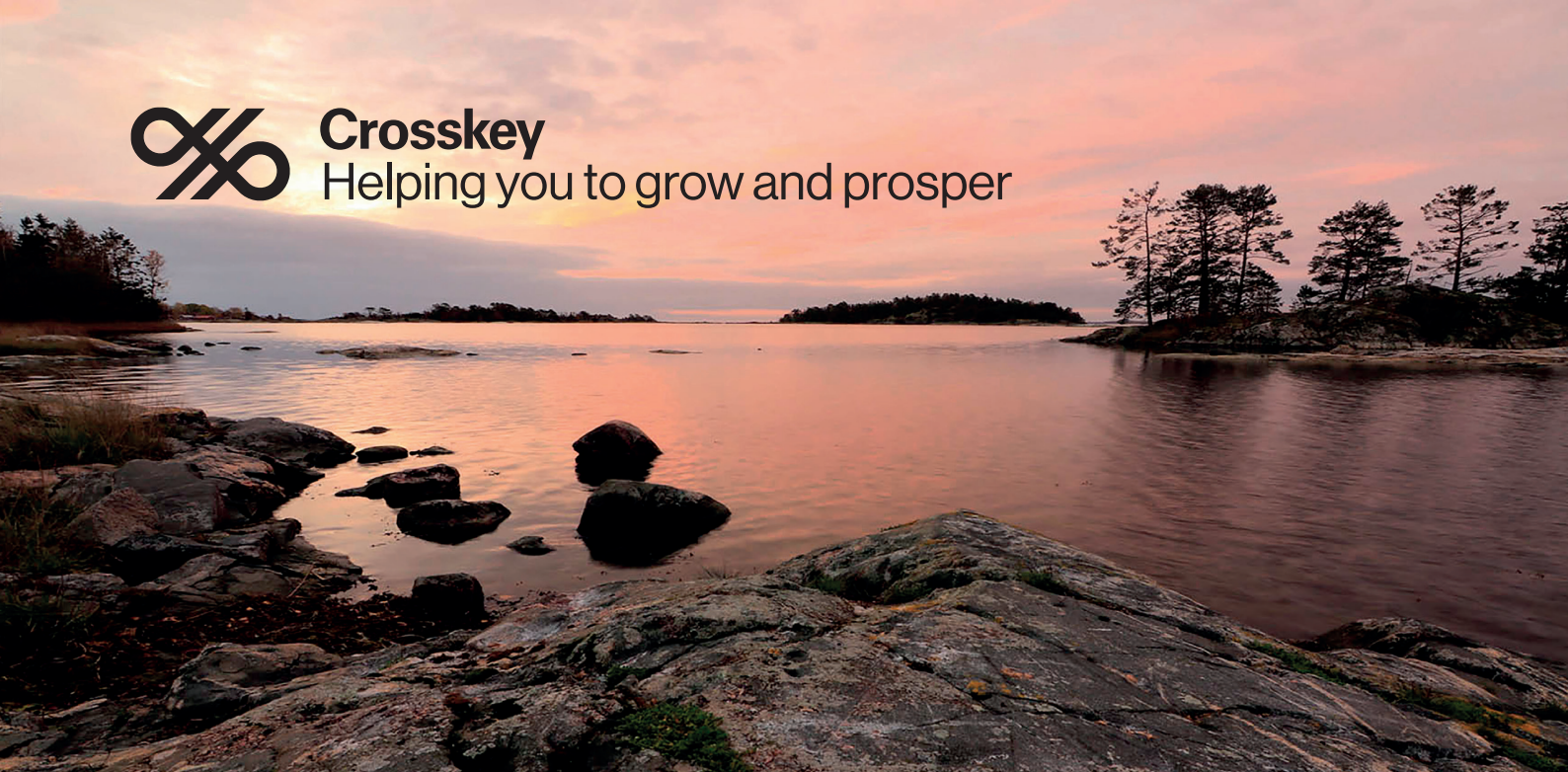
¹ ETP Stream [February 16, 2021] Are ETPs the perfect vehicle to gain exposure to the crypto market?

² Aquis [June 1, 2021] ETC Group launches first Bitcoin ETP in UK on Aquis Exchange.



Crosskey

Helping you to grow and prosper



Crosskey Capital Markets

If you are in the business of Brokerage, Asset Management or Fund Management we enable you to develop more effective business processes and automation of the entire business flow.

Learn more about the future of Capital Markets solutions, visit us at Post Trade 360°

Back Office

Portfolio Management

Performance & Risk analysis

CRM

Crosskey Banking Solutions AB

Unioninkatu 13, kolmas kerros, Helsinki | +358 (0) 204 29 022 | sales@crosskey.fi | www.crosskey.fi

Orchestrating a future-ready buy side through innovation

In this latest Q&A, SimCorp's Chief Commercial Officer, Jochen Müller talks to BNY Mellon's Hans Brown, who joined the bank in 2020 as Head of Enterprise Innovation.

The interview uncovers some of the obstacles buy-side firms face in prioritizing innovation on their firms' agenda, sharing best practice approaches to innovation, unearthing how industry expectations have evolved, and revealing the significance of human emotion and change, in achieving innovation.



Contributed by
Sim Corp

Read the article to learn about:

- The perceived obstacles to industry innovation
- How buy-side expectations have shaped innovation programs
- Leveraging innovation to achieve business outcomes
- The role of human emotion and change in addressing innovation

Jochen Müller: Thank you for joining me Hans. Since you arrived at BNY Mellon, you've taken on an interesting role as Head of Enterprise Innovation. Can you tell us about this role?

Hans Brown: The role is about helping to accelerate our culture and process of innovating and delivering excellence in everything we do for the enterprise. In other words accelerating an 'innovation everywhere' construct. Not only today but with an eye toward the future, to ensure we continue to be there for our clients today.

My goal is to provide the frameworks and environment that foster this "innovation everywhere" construct, both from a cultural perspective, as well as from a technology perspective. And part of the way that happens is to encourage disciplined, rapid execution and hypothesis validation in all that we do. At least to the extent of the known unknowns, and making sure that the proposed change/product or service hypothesis is both desired, relevant and can be consumed by the market.

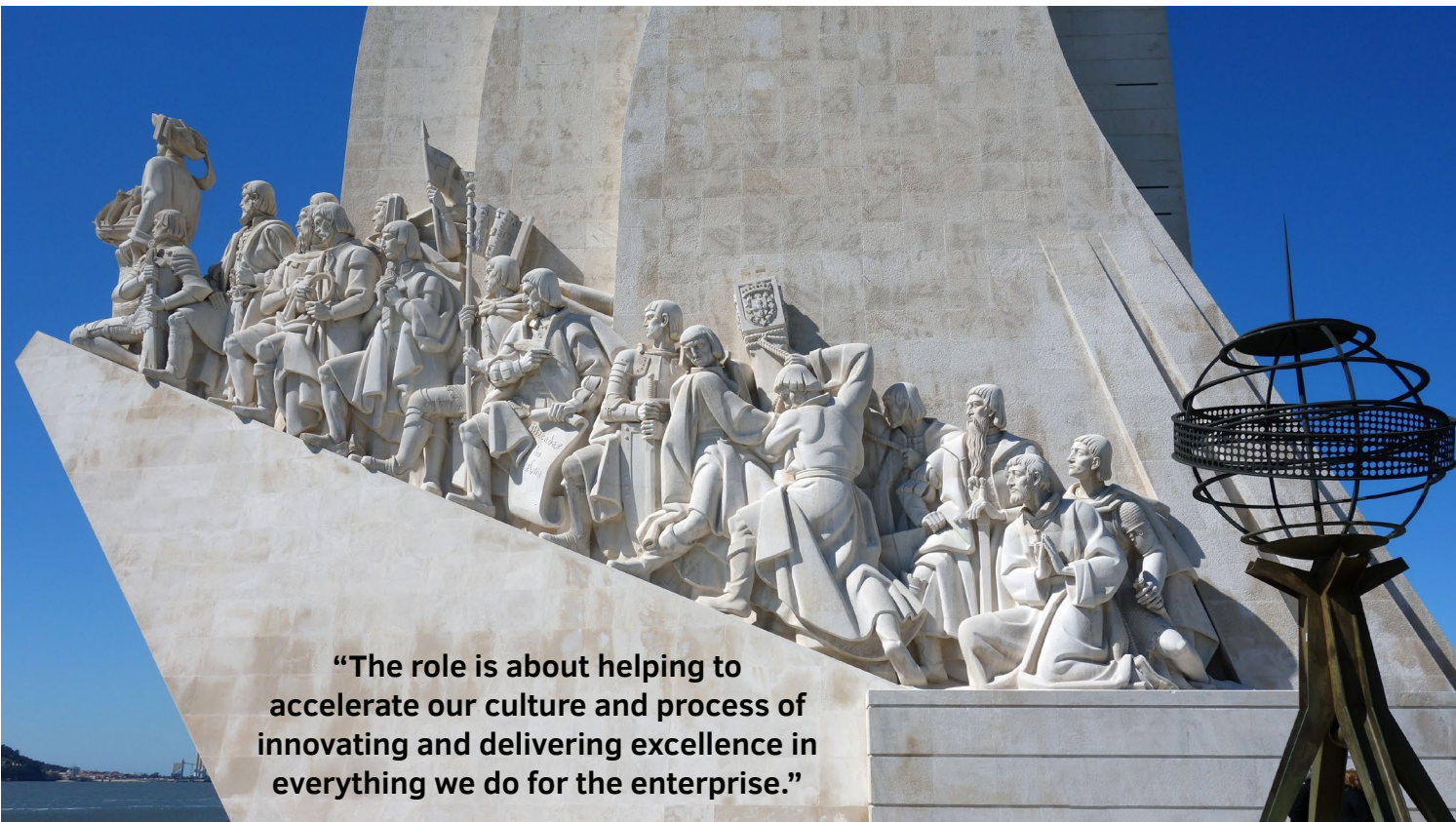
Innovation needs to happen every-



Jochen Müller



Hans Brown



“The role is about helping to accelerate our culture and process of innovating and delivering excellence in everything we do for the enterprise.”

where and on all levels, to be consumable and adopted at scale. This happens when the physical environment and the technology ecosystem and product leadership all co-exist and collaborate at speed. We're constantly obsessed with making every process, product, and interaction free of friction for the client and our operations team as well. This involves collaborating extensively with our clients, leveraging techniques such as client journey mapping, design thinking, human centered design among many others, in order to do this at scale and at speed.

Our digital services and solutions across the enterprise are geared to address pain points and opportunity areas, as well as market expansion. We therefore think of innovation as rubber hitting the road; you know you've done well when a client can get their articulated (and sometimes unarticulated) outcomes in a manner that is relevant to them and in the most efficient, frictionless way possible. Innovation done right enables client outcomes and feels natural.

Jochen Müller: You mention collaboration

with the client, that's an important element in driving innovation that matters. The dilemma that we know our clients face, especially larger ones, is that they are confronted by multiple priorities, whether it is capital preservation, operational resilience, transparency or governance, to name a few. While innovation has grown to become far more than just a buzz word, in a recent client poll we saw that over 30% cited competing resources as a challenge to adopting innovation.

With internal competition for budget and resources, how should firms approach innovation and ensure it is top of their firm's agenda?

Hans Brown: Our clients and the industry demand it and I have the pleasure of working directly for two leaders at BNY Mellon who focus on innovation, resiliency, reliability and efficiency all day, every day. This is what enables our business to move forward, delivering growth and providing exceptional client service.

For me, at its essence, banking facilitates getting capital from where it

People and culture have played a significant role in embracing innovation and change. Achieving this would simply not be possible without first building and supporting an internal mindset, where our employees are encouraged to be curious, to take courage in challenging the status quo and collaborate both inside and outside of the organization. By doing so, we have found new business lines and new ways to add value and improve solutions and services, ultimately making them faster, better, and more efficient for the client.

Jochen Müller,
Chief Commercial Officer, SimCorp

exists to where it generates a return or does the most good. And a great bank should do this in a way that removes friction, cost and waste, so that that real benefits and real returns, enable growth.

How you do that, whether you're leveraging AI, machine learning or distrib-

uted ledger, you are revolutionizing the 'how' and in some instances the 'what' a bank does to enable outcomes. When I think of innovation, it's not about trendy projects that come at the expense of capital preservation and creation, it's about doing real things that affect real people and enable real beneficial outcomes in the here and now. It also excites your workforce to keep pushing the boundaries and exploring the art of the possible, and ensures you have a culture that continually thinks of how you can be there to support the future challenges, and accelerate the opportunities your clients will face

Jochen Müller: That is a good point and the view we take when we speak to clients. Innovation shouldn't be seen as a competing priority but the means by which clients can achieve their business outcomes. As a result we've centered our open platform strategy around the creation of a strong industry network, to drive additional value in the investment chain and support the buy side to achieve desired business outcomes.

Given this shared perspective, I'm interested to know whether you think firms have different expectations on innovation from a FinTech, compared to a large enterprise like BNY Mellon?

Hans Brown: You are absolutely right, an open-architecture approach is best. If we look at the difference between a FinTech vs. a larger enterprise, the FinTech will almost always concentrate on solving specific pain points or investment challenges, most often as a standalone solution. On the other hand, as a larger enterprise with our reach and scale, we have to think about how we can help our clients across the entire investment lifecycle. That's why we launched BNY Mellon OMNISM, a data-centric platform that opens solutions for clients across the investment lifecycle. With a platform like this, we essentially bring together, not only our suite of solutions and robust data management capabilities, but also the option to integrate with the third-party systems and providers our clients chose to work with.

What I like about this approach is that it provides clients with a comprehensive set of capabilities, enabled by one provider. Everything is delivered in an

open format enabling easier integration. As a result, we aim to collaborate with anyone who shares our vision to make better client experiences. For example, by joining forces with SimCorp, we're delivering optimized data integration and transparency through open architecture. And the optimal way of doing this is to embrace open ecosystems, where we provide the environment to co-create and incubate new products and services, in conjunction with our clients, as well as BigTech and FinTech contributors.

Our fundamental view is that an open ecosystem encourages everyone to work together. We've shifted the company culture so we can be more agile and innovative. An open ecosystem also celebrates the diversity of experience. There is no one organization that knows everything fully. When everybody brings a different skill, a different capability to the table, innovation flourishes.

Jochen Müller: Diversity of experience is a significant benefit. I agree that combining expertise and know-how with one or several entities can enrich the innovation delivered. And while the industry had been closed for many years, I'm pleased that the notion of working together for the good of the end-client is becoming widely accepted. It is the reason we see so many industry collaborations today, including the one between SimCorp and BNY Mellon, and the many partnerships we have fostered elsewhere.

We have heard about the ways in which BNY Mellon is delivering innovation. I'm keen to know of an industry

example you feel has added real value to the investment process?

Hans Brown: Investing in cloud technology is a key priority for BNY Mellon, and it has been at the centre of many of our developments within the last year. For me, it has been interesting to watch the gradual shift from an almost cloud-negative industry, where hardware was seen as a necessity, and the debate was shrouded in security and trust concerns, to one that is now openly adopting not private but actually public cloud. As with everything, the industry just needed time to understand the fundamentals of a new way of operating. Like with innovation, change also has a cultural and technology impact.

Microsoft played a significant role in responding to both culture and technology. They worked with industry stakeholders to debunk the concerns and perceived threats, and facilitate knowledge that helped the mindset challenge. They also invested on the security front, so that public cloud is now an accepted standard for buy-side operations. This opens the door to standardization but also coming back to innovation, it becomes the foundation for developing and delivering solutions with far more scale and speed, to support clients' business outcomes.

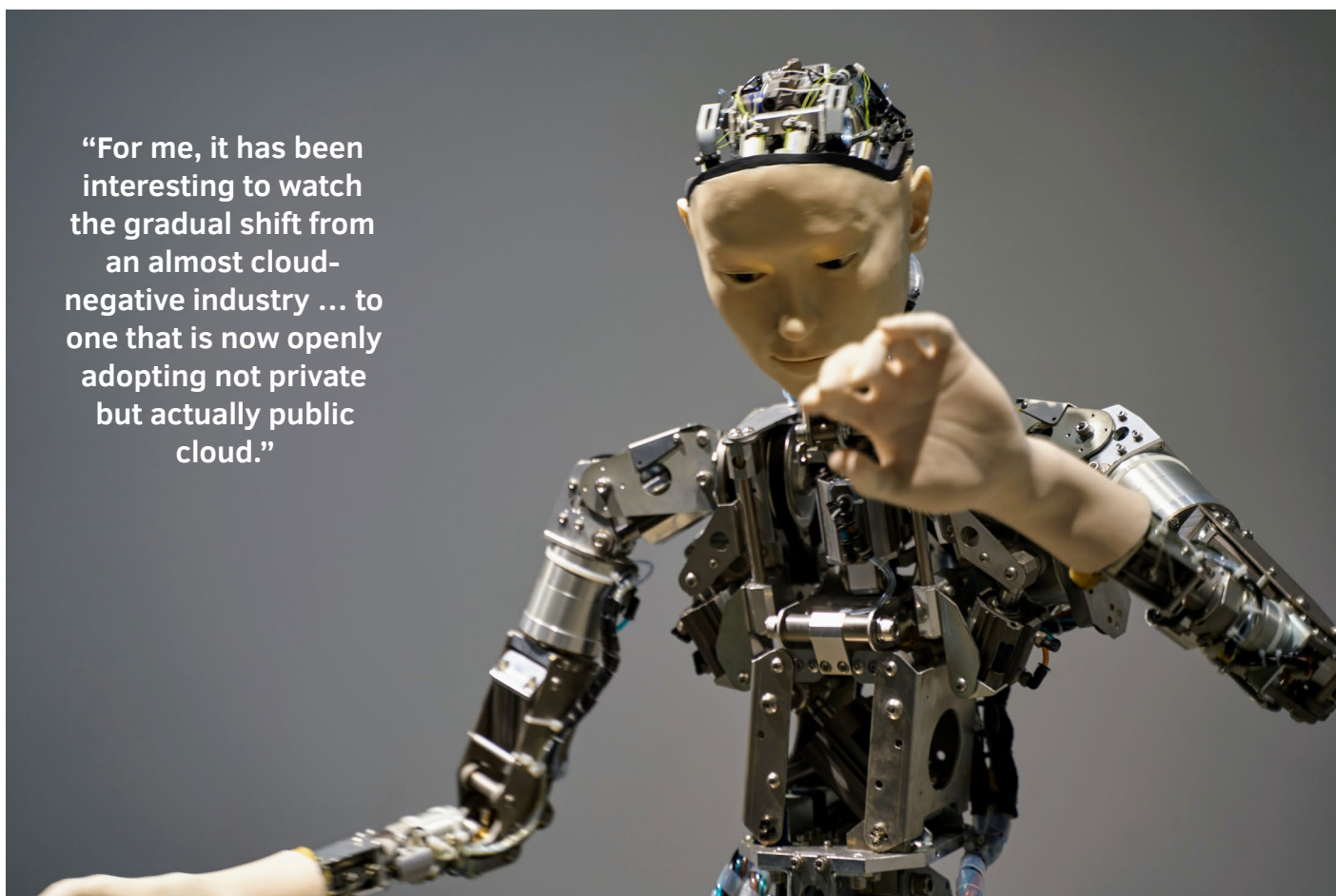
We proactively formed a strategic alliance with Microsoft recently, among other key players, to help build cloud-based solutions and to take them to market with leading asset managers and owners around the world. Our goal is to combine a cloud operating model together with disruptive technologies like machine learning within an open ecosystem, to create a future-fit operating strategy. One area where we see positive client impact is in the use of machine learning, to identify patterns in large data sets. Here we can make valuable forecasts like end-of-day balances or security lending fee movements. There is also a computer vision-enabled patent pending solution in the works, to further automate signature authentication. Ultimately, the aim is to simplify processes and proactively deliver additional insights to clients.

Jochen Müller: The connection between change and innovation runs deep. It is actually one of the reasons why we've moved to an outcome-based delivery



ATHREE23/PIXABAY

“For me, it has been interesting to watch the gradual shift from an almost cloud-negative industry ... to one that is now openly adopting not private but actually public cloud.”



model to demonstrate how positive change can support business goals. In your example of the cloud, fear of the unknown, or having to start from scratch can be a threat to innovation. What role do you think human emotion plays in how we approach innovation? And how can firms abandon fear and embrace the art of the possible?

Hans Brown: You can do amazing things with the right mindset. That starts by abandoning the fear of setting goals that are multiples greater than what you've ever done before. Moving to an effective, transparent risk assessment and management culture, that allows you to think boldly and open you to the art of the possible. From time immemorial human beings have been assessing risks. To make the leaps they had to get really comfortable with being uncomfortable.

The longer we as an industry do things, the more comfortable we get in doing them a certain way. Being out of our comfort zone helps to become obsessed with not only what but how an innovation is going to be used and why it is needed,

because developing something that's great, yet nobody will use, doesn't help the overall innovation agenda or move the industry or our clients forward.

We were founded by an innovator in 1784 and have been at this for the last 237 years, so we stand on the shoulders of the innovators that have preceded us. Our approach has been to engage the entire employee population around the world to transform each process, client interaction and product. For those firms starting out on their innovation journey, our advice is for any digital transformation to deliver the best client experience and embed it into everything you do.

Hans Brown: But that's our experience. SimCorp is celebrating its 50th anniversary this year and that is a remarkable achievement. Congratulations! In light of this, I'm interested to learn what SimCorp views as core to embracing innovation and change, and what impact has it had on the organization over the decades?

Jochen Müller: Thank you Hans. That is

a great question and something we have been thinking about as we approach this milestone. Innovation has been integral to our success. Since the creation of SimCorp Dimension and we have continually delivered new functionality, with at least two releases per year and now quarterly.

Our early clients have benefited from significant innovation, as we advanced SimCorp Dimension and this is something we have facilitated over decades. More recent examples of innovation include our private markets offering, Datacare; one of the first Data as a Service offerings in the market, SimCorp Coric; our digital client engagement and self-service portal and our cloud transformation with Microsoft Azure.

Our passion to evolve has also grown beyond our internal innovation and extends to an open ecosystem where we collaborate with fintechs, asset servicers and custodians such as BNY Mellon, to deliver smoother, transparent investment operations. In short, innovation has been integral to our success these first 50 years and I cannot imagine a stronger foundation for the next 50. ■

TietoEVERY Wealth Management

Time to digitalize wealth management services

Modernize to establish your digital edge with the leading Nordic savings and wealth management platform.

Empowered customers, new technology and a need to launch new services faster are pressing demands facing capital markets and wealth management.

Contact us today to start a discussion on how to digitalize and streamline securities trading and funds operations for a better and more unified experience.

<https://www.tietoevery.com/wealth>



tieto *EVERY*

POSTTRADE^{360°}

Events in Stockholm, Oslo, Copenhagen, Helsinki, Amsterdam and online
News at posttrade360.com



Follow us on **LinkedIn** and
inform your colleagues.

Contact our newsdesk at
news@posttrade360.com

Partners for PostTrade 360° Helsinki 2021

Official strategic partners



Lead partners



Partners



Official tech partner



Networking partners

