

The Network Forum (TNF) Annual Meeting returned once again to Athens last week for the first time since 2019. But, what were the main talking points from this year's TNF ?

From Greek tragedy to Greek triumph

Eight years ago, Greece's economy – to put it bluntly – was on the brink of total collapse, as the country's sovereign debt crisis reached its nadir.

Amid capital controls, bank closures and strict limits on cash withdrawals, the risk that Greece would exit the EU and euro altogether was a very real one. So acute was the turmoil that rumours circulated that the Greek government had contingency plans in place to start printing Drachma.

While uncomfortable for many Greeks, the implementation by the government of deep rooted structural reforms – including tough austerity measures and pension cuts – helped stabilise the economy, and put the country on the road to recovery.

Fast forward to today, Greece's economy is an outlier, only because it is performing so well.

Despite the energy crisis and inflationary pressure stifling eurozone growth, Greece's GDP increased by 5.9% in 2022, sparked by strong investment activity and a rebound in tourism post-COVID.

Few expect Greece to lose this growth momentum.

Geopolitics takes a dangerous turn

The world is at a perilous juncture.

Speaking at TNF, a geopolitics expert highlighted the Russia-Ukraine war is in a stalemate. He said Ukraine's counteroffensive is not succeeding in a strategic sense, although added that neither exactly was Russia's campaign.

Should this deadlock persist, the expert said President Putin will likely be forced to call up more reservists to fight, a decision which could have serious political ramifications.

The timing of TNF was fortuitous, taking place just two days before an armed mutiny against President Putin, which at one point looked like it would descend into civil war. While many would cherish the idea of removing President Putin from power, the reality is more complicated. For starters, President Putin – should he be overthrown or killed - will not be replaced by Russia's equivalent of Jeremy Corbyn, but rather by someone even more right wing than himself, who will probably escalate the conflict further. Although Ukraine currently enjoys popular backing, the expert warned this may not last indefinitely.

He highlighted the US has spent vast sums of money on providing military assistance to Ukraine, and much of it has not been properly audited. With the US facing its fair share of domestic challenges (i.e.

an opioid epidemic, a crisis in the country's education system), the expert warned voter support for aid to Ukraine was waning, especially among Republicans.

Having dealt with two global crises in the space of just three years now, it is not surprising that network managers are paying closer attention to geopolitical risks and contingency planning.

Future proofing network management

The role of the network manager is one that is continuously transforming.

Firstly, network managers are having to familiarise themselves with new asset classes (i.e. digital assets such as security tokens) and digital asset custody solutions. As digital assets become increasingly ubiquitous, network managers will need to update their due diligences accordingly.

Although banks are developing digital asset custody products, few expect these services will be profitable anytime soon.

Once looked upon by critics as a cynical marketing ploy, ESG is gathering momentum, and network managers are having to adapt. Many are now incorporating ESG into their due diligence questionnaires, and this is a trend which is only going to continue, especially following the introduction of EU regulations focusing on sustainability (i.e. Sustainable Finance Disclosure Regulation, the EU Taxonomy, etc.)

While network managers have shown themselves to be more than capable of adapting to change, succession planning appears to have fallen by the wayside. A speaker said network managers often had long tenures, which sometimes made it hard to bring new talent into the fold.

The lack of generation Z talent in network management is a cause for concern, and could make succession planning more difficult as and when today's cohort of veterans retire.

The EU wavers on shorter settlements

With the US and Canada primed to adopt T+1, all eyes are now on the EU, and what it plans to do.

Experts highlighted that while shorter settlement cycles could lead to cost and risk benefits, its potential implementation in the EU is likely to be far more complicated than in the US and Canada.

Notwithstanding the operational challenges T+1 will create (i.e. settlement mismatches, less time to carry out asset servicing, higher risk of trade fails), the EU has 41 trading venues, 31 CSDs, 31 CCPs and 14 different currencies across its 27 member states, in contrast to the US and Canada, whose markets are much less fragmented.

Achieving consensus among EU FMIs on T+1 will not be straightforward.

Adoption of T+1 could also result in financial institutions incurring massive fines (and maybe eventually mandatory buy ins) for trade fails under the Central Securities Depositories Regulation (CSDR) - another obstacle that may delay T+1 in the EU.

Expect the debate about the pros and cons of introducing T+1 in the EU to be a recurrent feature at TNFs for some years to come!

Upcoming TNFs

A number of regional TNFs will follow Athens later this year, with meetings due to take place in Muscat (October 9-10), New York (October 19) and Mumbai (November 6-7).