

## **Message from Warsaw**

The Network Forum's (TNF) Annual Meeting gathered once again in Warsaw after a seven-year hiatus punctuated by Covid 19 lockdowns, the biggest land war in Europe since WW2, rising geopolitical tensions in Asia and the Middle East, and ongoing market uncertainty.

But what were the main talking points to emerge from the TNF Annual Meeting in Warsaw?

### **In with AI**

The general buzz around AI, a technology Goldman Sachs reckons could add 7% to global GDP per year, is reaching fever pitch - and TNF was no exception.

During an audience poll, it was revealed that 49% of respondents are currently using the technology to support them with productivity (i.e. drafting emails and power-points etc.), followed by 9% for marketing, and 8% for coding purposes.

With organisations struggling to cope with rising costs, 54% said AI would be instrumental in helping them obtain operational efficiencies.

Although AI could free up already stretched resources at custodians, others argued it risks institutionalising laziness within the industry, adding that vital skills could be lost if people become too dependent on the technology.

Speaking on the fringes of TNF, one attendee said that the shocking generational decline in the number of people with rudimentary map-reading skills – sparked primarily by our reliance on Google Maps – should serve as a stark warning to us all about AI's potential drawbacks.

### **Out with the Blockchain**

Whereas the popularity of AI has soared, the industry has grown deeply sceptical about Blockchain.

At TNF 2017 in Warsaw, experts openly predicted that Blockchain would hasten the demise of the post-trade industry, but the reality could not be further from the truth.

Today, most Blockchain initiatives in the post-trade world have either been shelved (e.g. ASX's plan to replace CHESSE with Blockchain) or radically scaled back, due to the high costs of implementation and the lack of real-world use cases.

Just as Blockchain failed to deliver, some wonder if we are falling into a similar trap with AI.

## **Network managers talk KYC and resilience**

During TNF, network managers highlighted they are receiving an increasing volume of reverse KYCs – also referred to by some as reverse due diligences – from their sub-custodians.

Although network managers were keen to stress there should not be a race to the bottom on KYCs, they said some of the information being asked for by sub-custodians is duplicative and at times intrusive and unnecessary.

In response, more network managers are asking their sub-custodians to standardise the reverse KYCs, an irony not lost on some people in the audience. “I think the sub-custodians are punishing us for all of our amendments to the Association for Financial Markets in Europe’s (AFME) Due Diligence Questionnaire (DDQ),” observed one network manager wryly during a coffee break.

A shift is also starting to take place with network managers’ approaches towards operational resilience.

Whereas previously, network managers devoted a lot of resources to contingency planning, one expert said there is a much sharper focus today on the actual resilience of their incumbent providers, and their supply chains.

## **The general Consensus on T+1 is “No catastrophes just yet”**

After two years of meticulous planning and testing, T+1 went live in North America with very few hiccups.

So far, the early indicators are positive, with affirmation rates above normal levels, and settlement fail rates holding steady, barring a small, temporary wobble on a double settlement day, which also coincided with an MSCI rebalancing.

However, experts said T+1 is not a done deal yet in the US, adding that problems could still materialise.

The discussion at TNF then shifted to the EU’s (and UK’s) possible adoption of T+1.

Unlike the US where there is just one financial market infrastructure (FMI), Europe is populated with dozens of national CSDs and CCPs, an issue which will make the transition to T+1 much harder.

## **Cave diving is not for the faint hearted**

TNF wrapped up with an excellent presentation from John Volanthen, an expert cave diver, who played a key role in rescuing a group of 12 teenage footballers plus their coach from the Tham Luang cave complex in Thailand after it became flooded during heavy monsoon rains.

Sharing his unique insights into how he managed to keep composure in a high pressure and incredibly risky environment, Volanthen’s exploits had the entire TNF audience on the edge of their seats, in what was arguably one of the most memorable keynote speeches in TNF’s history.

**Until next time....**

*After the summer break, TNF will reconvene in New York on October 1 for its Americas Meeting before wrapping up the year in Doha on November 5-6 and Singapore on November 11-12.*