THE NETWORK FORUM ANNUAL

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Message from Madrid

After Warsaw, Athens, London and Vienna, it was the turn of Madrid to play host to this year's Network Forum (TNF) Annual Meeting. Brimming with more content than ever before and with two early morning group 5k runs thrown in for good measure, TNF was on top form in Madrid.

But, what were the main talking points from TNF?

Country risk is keeping the Network Managers awake at night

When discussing country and market risk at previous TNFs, Network Managers typically identified issues such as liquidity constraints, poor asset safekeeping practices, and arbitrary regulatory changes as being their primary concerns.

Now, we can add geopolitical risk to this watchlist.

According to one analyst, the world is currently going through a geopolitical risk super-cycle, which as the name implies means we are living through a prolonged period of unprecedented geopolitical risk.

Taking place just a few days before the US joined Israel in launching air strikes against Iran, Network Managers were – even then – seeking assurances from Agent Banks in the Middle East about their operational resilience and contingency plans, and what they would do if the conflict were to spread beyond Iran and Israel's borders.

Some of the larger agent banks are almost certainly reviewing their Middle East operations, whilst a few Global Custodians have reportedly instigated travel restrictions in the region.

However, after a succession of Black Swan events since 2020, i.e. Covid, War in Ukraine, Supply Chain shocks, etc. it appears preparing for crises like these is almost becoming second nature for global custodians and agent banks.

T+1 close to making landfall

Two years sounds like a long time, but it really is not.

But that is exactly how long we have until T+1 takes effect in Europe.

At TNF in Warsaw last year, T+1's implementation in North America was still fairly raw. While there was some debate about whether T+1's cost economics, i.e. the spend on getting ready for T+1

versus the actual collateral savings accrued from shorter settlements made sense, the consensus was that North America's capital markets had weathered the transition rather well.

Whilst this is true to an extent, TNF speakers said that firms in North America reported that T+1 compliance turned out to be a lot harder than what they had expected it would be. This certainly set off a few alarm bells amongst TNF attendees in Madrid, many of whom are all too aware that Europe's capital markets are far more complex than North America's.

Complacency therefore about T+1 should be avoided in Europe at all costs.

Just as the US industry spent several years preparing for T+1, so too must Europe's, or at least that was the message coming from the various T+1 taskforces and trade associations.

Ramping up headcount will help some providers navigate the T+1 challenges in the short-term, but automation is what really needs to happen, especially as many Speakers now believe that T+0 or even instant settlements will become the industry standard in the next 5-7 years.

Until the autumn….

With the Annual Meeting now behind us, TNF's regional events will once again resume, with Meetings taking place in New York on October 16, Abu Dhabi on October 27 and Hong Kong between November 17-18.